

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
OF HEMATITE HOLDINGS INC., HEMATITE MANUFACTURING INC.,  
HEMATITE INDUSTRIAL PRODUCTS INC., CANADIAN PAVACO INC.,  
PAVACO HOLDINGS U.S. INC., HEMATITE, INC. AND  
HEMATITE AUTOMOTIVE PRODUCTS INC.**

Applicants

**APPLICATION RECORD  
(CCAA Application)**

September 18, 2020

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**ONTARIO**  
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Applicants

**NOTICE OF APPLICATION**

**TO THE RESPONDENTS**

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on a date and time to be fixed by the Commercial List Office, at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyers or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least two days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: September 18, 2020

Issued by:

\_\_\_\_\_  
Local Registrar

Address of  
court office

330 University Avenue  
Toronto, Ontario, M5G 1R7

**TO: THE SERVICE LIST**

## APPLICATION

### THE APPLICANTS MAKE APPLICATION FOR:

1. An initial order (the “**Initial Order**”) pursuant to the *Companies Creditors’ Arrangement Act*, R.S.C. 1985, c C-36, as amended (the “**CCAA**”) substantially in the form attached as Tab 4 to the Application Record of the Applicants,<sup>1</sup> among other things:
  - (a) abridging the time for service of this Notice of Application and the materials filed in support of the Application so that this Application is properly returnable on the return date and dispensing with further service thereof;
  - (b) declaring that the Applicants are companies to which the CCAA applies and granting the Applicants the authority to file a plan of compromise or arrangement;
  - (c) appointing KPMG Inc. (“**KPMG**”) as an officer of this Court to monitor the assets, businesses and affairs of the Applicants (in such capacity, the “**Monitor**”);
  - (d) authorizing the Applicants to pay certain expenses incurred prior to, on or after the Filing Date in the ordinary course of business on terms consistent with existing arrangements or past practice;
  - (e) staying all Proceedings taken or that might be taken in respect of the Applicants, their directors and officers, the Monitor, or affecting the Business or the Property until September 28, 2020 (the “**Stay Period**”), except with the written consent of the Applicants and the Monitor, or with leave of this Court;
  - (f) staying and suspending all rights and remedies of any Person against or in respect of the Affected Parties arising out of the Cross-Default Matters during the Stay Period except with the written consent of the relevant Applicant, the relevant Affected Party and the Monitor, or leave of this Court;

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<sup>1</sup> Capitalized terms used but not defined herein have the meanings given to them in the affidavit of Jacques Nadeau, sworn September 17, 2020, attached as Tab 2 to the Application Record of the Applicants (the “**Nadeau Affidavit**”), or the draft Initial Order attached as Tab 4 to the Application Record of the Applicants.

- (g) authorizing the Applicants to obtain and borrow under the DIP Facility from the DIP Lender on the terms and subject to the conditions set forth in the DIP Loan Agreement;
  - (h) granting priority Charges as described in the proposed Initial Order; and
  - (i) granting such further and other relief as this Honourable Court deems just.
2. An order (the “**Amended and Restated Initial Order**”) pursuant to the CCAA, to be sought at a subsequent hearing to be scheduled with the supervising judge prior to the expiry of the initial 10-day stay period, among other things:
- (a) extending the Stay Period;
  - (b) increasing the maximum amount of the priority Charges; and
  - (c) granting such further and other relief as this Honourable Court deems just.
3. Such further and other relief as this Honourable Court deems just.

**THE GROUNDS FOR THIS APPLICATION ARE:**

***General***

- 1. The Applicants are insolvent.
- 2. The Applicants are companies to which the CCAA applies.
- 3. The claims against the Applicants exceed \$5 million.
- 4. The relief sought in the Initial Order is reasonably necessary for the continued operation of the Applicants in the ordinary course of business during the initial 10-day stay period.



***Background***

5. Hematite is primarily a tier 1 supplier of component parts to the automotive manufacturing industry and counts Toyota, Fiat Chrysler Automobiles and Ford among its major customers.
6. Hematite has operated in Canada since 1978, and currently operates from facilities in Brantford and Guelph, Ontario.
7. Over the past several years, Hematite has pursued an expansion of its manufacturing operations into the United States to allow it to better serve existing and new customers in that market. Hematite has begun production at a facility in Englewood, Ohio and has begun outfitting another facility in Fayetteville, Tennessee.
8. In order to finance the significant real estate, equipment and other capital expenditures for this expansion, Hematite was required to reduce its cash reserves and take on significant secured indebtedness.
9. The COVID-19 pandemic and the resulting government-mandated shutdowns, including in the automotive industry, had a significant adverse impact on Hematite's financial position. From March-May 2020, Hematite's gross sales were approximately 70% below expectations due primarily to the impact of the COVID-19 pandemic and it experienced a significant and unexpected operating loss.
10. Hematite's primary operating lender provided bulge financing, forbearances and payment deferrals for several months, however it has indicated that it is not prepared to provide any further financing or accommodations.
11. Hematite's customers also agreed to provide advance payments and more favourable payment terms for several months, however they similarly have indicated that they are not able to provide any further relief in this regard due to Hematite's deteriorating financial condition.

12. The only viable path to preserving Hematite's business was a strategic transaction that included a capital injection and a restructuring on terms acceptable to Hematite's existing lenders and customers. Hematite has found that strategic partner in Woodbridge.
13. Since mid-August 2020, Hematite and Woodbridge (as Hematite's proposed restructuring plan sponsor) have engaged with Hematite's key lenders, its key customers, and certain of its key suppliers and have successfully reached agreements and arrangements with each that are necessary to support a financial restructuring of Hematite and see it emerge from these CCAA proceedings as a going concern in short order.
14. Hematite and Woodbridge have entered into a plan sponsor agreement which contemplates that Woodbridge will provide interim financing during the pendency of these CCAA proceedings. Hematite intends to emerge from these CCAA proceedings by the end of the year.

#### ***Applicants are Insolvent***

15. In light of the present circumstances, each of the Applicants is insolvent as they are each facing an immediate liquidity crisis. The Applicants are unable to obtain any further financing from their existing lenders and cannot obtain any further advance payments from their major customers. The Applicants will run out of cash by the week of September 21, 2020 and will be unable to meet payroll and other obligations coming due.

#### ***Stay of Proceedings***

16. A stay of proceedings against the Applicants and their directors and officers, and the Affected Parties with respect to the Cross-Default Matters, is necessary at this time to, among other things, maintain the status quo and obtain the breathing room and emergency financing required to pursue Hematite's restructuring strategy supported by Woodbridge.

#### ***Monitor***

17. KPMG has consented to act as the Monitor and is very experienced in similar matters.

***DIP Facility***

18. Pursuant to the DIP Loan Agreement, Woodbridge has agreed to provide the DIP Facility in the maximum principal amount of \$6 million at an interest rate of 15% per annum, payable on a monthly basis.
19. The advances under the DIP Facility will be limited to \$2.3 million during the initial 10-day stay period, with an additional tranche of \$3.7 million made available afterwards, subject to the conditions in the DIP Loan Agreement being met.
20. Hematite's access to the DIP Facility is conditional upon the Court granting an order approving the DIP Loan Agreement and approving the amount and priority of the DIP Lender's Charge on all of the present and after-acquired real and personal property of the Applicants.

***Court-Ordered Charges***

21. The Applicants are seeking an Administration Charge and Directors' Charge in the Initial Orders to secure the professional services required to complete the CCAA proceedings and ensure the continued cooperation of the Applicants' directors and officers.
22. The maximum amount of the Administration Charge, DIP Lender's Charge and Directors' Charge in the Initial Order is limited to what is reasonably necessary for the initial 10-day stay period.

***Service and Notice***

23. Given the limitations imposed as a result of the COVID-19 pandemic, it is appropriate for this Court to authorize the Applicants and Monitor to deliver the prescribed notices to known creditors by e-mail instead of physical mail.

***Other Grounds***

24. The Applicants also rely on:

- (a) the provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
  - (b) Sections 97 and 106 of the *Courts of Justice Act*, RSO 1990, c. C.43;
  - (c) Rules 2.03, 3.02, 14.05(3)(d), 14.05(2), 16, 38 and 57 of the *Rules of Civil Procedure*, RRO 1990, Reg 194; and
  - (d) Such further and other grounds as counsel for the Applicants may advise and this Honourable Court may permit.
25. The following documentary evidence will be used at the hearing of the application:
- (a) The affidavit of Jacques Nadeau, sworn September 17, 2020;
  - (b) The pre-filing report of KPMG, to be filed;
  - (c) The consent of KPMG to act as the Monitor; and
  - (d) Such further and other materials as counsel for the Applicant may advise and this Honourable Court may permit.

September 18, 2020

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COMPROMISE OR ARRANGEMENT OF HEMATITE HOLDINGS INC. ET AL.

Court File No.

*Ontario*  
**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceedings commenced in Toronto

**NOTICE OF APPLICATION**

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DOC#: 20749158

Tab 2

**ONTARIO  
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Applicants

**AFFIDAVIT OF JACQUES NADEAU  
(Sworn September 17, 2020)**

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Applicants

**AFFIDAVIT OF JACQUES NADEAU  
(Sworn September 17, 2020)**

I, Jacques Nadeau, of the City of Guelph, in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am the Chief Treasury Officer of Hematite.<sup>1</sup> I am a Chartered Professional Accountant and have been involved in the financial and operational management of Hematite for over 25 years. From 1988 to 2002, I was a controller and then the chief financial officer of Hematite. Upon returning to Hematite in 2007, I served as a general manager and then the chief operations officer until 2019. I resumed the role of chief financial officer in the summer of 2019 until June 2020 when my role became more focused on treasury and cash management, given Hematite's increasing challenges in that area, as set out herein.

2. Through my various roles, I am familiar with the operations, financial results and strategies of Hematite. As such, I have personal knowledge of the matters to which I depose in this affidavit. Where I do not possess personal knowledge, I have stated the source of my

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<sup>1</sup> For ease of reference, the Applicants will be collectively referred to herein as "**Hematite**".

knowledge and believe it to be true.

3. This affidavit is sworn in support of an application by the Applicants pursuant to the *Companies' Creditors Arrangement Act (Canada)* (the "**CCA**") seeking an order (the "**Initial Order**") substantially in the form of the draft order included at Tab 3 of the Application Record, among other things, granting relief that is reasonably necessary for the continued operations of the Applicants within an initial 10-day stay period.

4. All dollar references herein are Canadian dollars unless otherwise referenced.

## **I. OVERVIEW**

5. Hematite is primarily a tier 1 supplier of component parts to the automotive manufacturing industry and counts Toyota, Fiat Chrysler Automobiles ("**FCA**") and Ford among its major customers. Hematite reduces the costs and carbon footprint of its customers by utilizing a closed-loop process (known as Reform™) which takes manufacturing scrap from customers and produces re-useable materials that are used in Hematite's products. Through this process, Hematite has diverted over 10 million pounds of trim scrap waste annually that was destined for landfill sites.

6. Hematite has operated in Canada since 1978, and currently operates from facilities in Brantford and Guelph, Ontario. Over the past several years, Hematite has pursued an expansion of its manufacturing operations into the United States to allow it to better serve existing and new customers in that market. Hematite has begun production at a facility in Englewood, Ohio and has begun outfitting another facility in Fayetteville, Tennessee. In order to finance the significant real estate, equipment and other capital expenditures for this

expansion, Hematite was required to reduce its cash reserves and take on significant secured indebtedness.

7. The COVID-19 pandemic and the resulting government-mandated shutdowns, including in the automotive industry, had a significant adverse impact on Hematite's financial position. From March-May 2020, Hematite's gross sales were approximately 70% below expectations due primarily to the impact of the COVID-19 pandemic and it experienced a significant and unexpected operating loss. Hematite took a number of cash conservation measures, including temporarily laying off approximately 140 employees, and applied for and received government subsidies and programs in response to COVID-19, in an attempt to weather this storm.

8. Hematite retained an advisory firm, BDO Canada Limited ("**BDO**"), and appointed a chief restructuring officer, Blair Davidson (the "**CRO**"), to provide assistance in evaluating the paths forward and managing discussions with its lenders and other key stakeholders.

9. Hematite's primary operating lender, The Toronto-Dominion Bank ("**TD**"), provided bulge financing, forbearances and payment deferrals for several months, however it has indicated that it is not prepared to provide any further financing or accommodations, including any debtor-in-possession financing under formal insolvency proceedings. Hematite's customers also agreed to provide advance payments and more favourable payment terms for several months, however they similarly have indicated that they are not able to provide any further relief in this regard due to Hematite's deteriorating financial condition. As a result, it became clear to Hematite that it would run out liquidity.

10. The only viable path to preserving Hematite's business was a strategic transaction that included a capital injection and a restructuring on terms acceptable to Hematite's existing lenders and customers. With the assistance of BDO and the CRO, Hematite had discussions with several potential strategic partners and determined that its preferred strategic partner was Woodbridge Foam Corporation ("**Woodbridge**").

11. Woodbridge is a well-known global automotive parts manufacturer primarily focused on foam products and technologies. Woodbridge operates more than 50 facilities across 10 countries – employing over 7,500 teammates and serving more than 600 customers. Woodbridge will bring significant Canadian and international experience, including in the automotive industry, pivotal turnaround expertise, operational support and liquidity backing to shepherd Hematite through its restructuring.

12. Since mid-August 2020, Hematite and Woodbridge (as Hematite's proposed restructuring plan sponsor) have engaged with Hematite's key lenders (TD and BDC Capital Inc. ("**BDC**")), its key customers (Toyota, FCA and Ford), and certain of its key suppliers and have successfully reached agreements and arrangements with each that are necessary to support a financial restructuring of Hematite and see it emerge from these CCAA proceedings as a going concern in short order.

13. Hematite and Woodbridge have entered into a plan sponsor agreement which contemplates that Woodbridge will provide interim financing during the pendency of these CCAA proceedings. Hematite anticipates running a claims process to identify claims against it and, with the support of Woodbridge, expects to develop a CCAA plan to address these claims and allow Hematite to emerge as a going concern with a restructured business and

balance sheet and fresh financing from Woodbridge, which will acquire 100% ownership in Hematite upon the completion of the restructuring. Hematite intends to seek recognition of these proceedings, and certain of the orders issued by this Court, in the United States Bankruptcy Court, District of Delaware, given the significant operations that it has in the United States. Hematite intends to emerge from these CCAA proceedings by the end of the year.

14. Hematite's restructuring plan with Woodbridge is supported by all of Hematite's key stakeholders, including its secured lenders, major customers and certain key suppliers. Hematite requires the stability and breathing room provided by the CCAA process to enable Hematite and Woodbridge to have further discussions with other stakeholders and facilitate the implementation of this restructuring plan. The restructuring plan is in the best interests of Hematite and its stakeholders and will preserve its operations for the benefit of its approximately 275 employees, creditors and stakeholders generally.

## **II. BACKGROUND REGARDING THE APPLICANTS**

### ***(i) Corporate Structure***

15. A copy of an organizational chart of the Applicants, which is described further herein, is attached hereto as **Exhibit "A"**.

#### ***A. Core Canadian Operations***

16. Hematite Holdings Inc. ("**Hematite Holdings**") is incorporated and existing under the Ontario *Business Corporations Act* (the "**OBCA**"). Hematite Holdings is a holding company

that is the direct or indirect parent of each of the other Applicants, with the exception of Hematite Industrial Products Inc. (“**Hematite Industrial**”) which is an affiliate of Hematite Holdings. Hematite Holdings is the direct parent of Canadian Pavaco and Hematite Manufacturing (each defined below). A copy of the corporate profile report for Hematite Holdings is attached hereto as **Exhibit “B”**.

17. Canadian Pavaco Inc. (“**Canadian Pavaco**”) is incorporated and existing under the OBCA. Canadian Pavaco is a holding company that exists between Hematite Holdings and US Pavaco (defined below) in the Hematite organizational structure. A copy of the corporate profile report for Canadian Pavaco is attached hereto as **Exhibit “C”**.

18. Hematite Manufacturing Inc. (“**Hematite Manufacturing**”) is incorporated and existing under the OBCA. Hematite Manufacturing is the primary operating entity for the core businesses of Hematite in Canada, including the supply of component parts for the automotive industry, as described further below. A copy of the corporate profile report for Hematite Manufacturing is attached hereto as **Exhibit “D”**.

*B. Industrial Products*

19. Hematite Industrial is incorporated and existing under the OBCA. Hematite Industrial is the operating entity for the industrial products business of Hematite, as described further below. A copy of the corporate profile report for Hematite Industrial is attached hereto as **Exhibit “E”**.

C. US Operations

20. Pavaco Holdings U.S. Inc. (“**US Pavaco**”) is incorporated and existing under the laws of the State of Delaware with its registered principal place of business at 300 Lau Parkway, Englewood, Ohio. US Pavaco is a holding company that is the direct parent of the two entities that operate the Hematite business in the United States, Hematite US and HAPI (each defined below). A copy of the corporate profile report for US Pavaco is attached hereto as **Exhibit “F”**.

21. Hematite, Inc. (“**Hematite US**”) is incorporated and existing under the laws of the State of Ohio. Hematite US is the primary operating entity for the businesses of Hematite in the United States, as described further below. A copy of the corporate profile report for Hematite US is attached hereto as **Exhibit “G”**.

22. Hematite Automotive Products Inc. (“**HAPI**”) is incorporated and existing under the laws of the State of Michigan. HAPI operates a small sales office for Hematite’s US operations. A copy of the corporate profile report for HAPI is attached hereto as **Exhibit “H”**.

D. Non-Applicant Real Estate Holding Companies

23. The following entities are related to the Applicants and hold certain real property that the business of Hematite is conducted from. These entities are not Applicants in these proceedings. As more fully described below, the Applicants are seeking a limited stay of proceedings in the Initial Order against these entities with respect to any cross-defaults arising from the insolvency of the Applicants.

24. 1238579 Ontario Inc. (“**123**”) is incorporated and existing under the OBCA. 123 is a real estate holding company that owns certain facilities in Canada that the Hematite business is operated from, including the Speedvale Facility and the Industrial Plants (both as defined below).

25. Hematite R.E. 1, Inc. (“**RE 1**”) is incorporated and existing under the laws of the State of Ohio. RE 1 owns the Englewood Plant (as defined below) that the Hematite business is operated from.

(ii) *The Business and Operations of the Applicants*

A. Products

26. Founded in 1978, Hematite is primarily a tier 1 supplier of component parts to the automotive manufacturing industry in Canada and the United States. Hematite manufactures parts related to:

- (a) acoustics management, such as various insulators, body plugs and acoustic wheel liners and under body shields;
- (b) airflow management, such as lower air deflectors, aero shields and under-engine covers; and
- (c) water deflection, such as under-engine covers, under body shields and plastic wheel liners.



27. In addition to the automotive market, Hematite engineers and manufactures custom plastic and rubber products that serve industrial markets including the retail, solar, agricultural and mining industries along with custom rubber parts for anti-vibration and anti-fatigue.

28. Hematite utilizes a closed-loop process (known as Reform™) which takes manufacturing scrap from customers and runs it through a series of complex separation stages that results in re-useable materials. Hematite's recycling plant sends the renewed materials to one of its manufacturing facilities to be formed back into new, recycled and recyclable high-quality products. Hematite also employs unique processes to recycle and reuse waste generated from its own manufacturing environment.

29. Since Reform™ began, Hematite has removed over 10 million pounds of trim scrap waste annually that was destined for landfill sites. Reform™ has also successfully reduced each customer's reliance on virgin materials, thus reducing their costs and carbon footprint.

30. As a result of the Reform™ process and Hematite's commitment to reducing its carbon footprint, Hematite was one of the first companies to have an environmental management system certified under ISO 14001 in 2001.

*B. Customers*

31. The main automotive manufacturing customers of Hematite are Toyota, FCA and Ford, which collectively currently account for approximately 95% of the revenues of Hematite's main automotive products business. Hematite also currently supplies component parts to Volkswagen and is scheduled to commence supplying component parts to Honda and Mazda within the next year.

32. The predominant customer of Hematite's industrial products business is Firestone Building Products, which currently accounts for approximately 80% of the revenues of that business. The remainder of the revenues are derived from smaller customers.

33. Hematite supplies products to customers in both Canada and the United States. Approximately 70% of the revenues of Hematite are derived from deliveries to the U.S. with the remainder from Canada.

C. Locations and Employees

*Brantford Facility*

34. The primary manufacturing facility of Hematite in Canada is located at 46 Plant Farm Blvd in Brantford, Ontario (the "**Brantford Facility**"). The Brantford Facility is approximately 125,000 square feet and is leased from Skyline Commercial Real Estate Holdings Inc., an unrelated third party, pursuant a lease agreement dated October 11, 2019 for a term of 15 years. The monthly base rent for the Brantford Facility is \$51,041.67.

35. Currently, approximately 125 employees are based at the Brantford Facility. As outlined further below, at the onset of the pandemic, Hematite temporarily laid off approximately 80 employees, most of whom returned to work commencing in late May.

*Speedvale Facility*

36. Hematite also currently has another manufacturing facility located at 669 Speedvale Ave. W. in Guelph, Ontario (the "**Speedvale Facility**"). The Speedvale Facility is owned by 123 and leased to Hematite Manufacturing pursuant to a lease renewal and amending

agreement dated July 3, 2007. The Speedvale Facility was previously operated by Pavaco Plastics Inc. which was amalgamated into Hematite Manufacturing on March 29, 2020.

37. Currently, approximately 25 employees work in the manufacturing operations at the Speedvale Facility. As outlined further below, at the onset of the pandemic, several employees were temporarily laid off but returned to work a few weeks later once Hematite Manufacturing began to produce ASTM Level 3 face masks at this facility.

38. The corporate headquarters of Hematite are also located at the Speedvale Facility. There are approximately 25 employees that are based at the corporate headquarters from which human resources, marketing, purchasing, cash management and other shared services are conducted with respect to the entire Hematite business. I am primarily based at the Speedvale Facility, as is John Pavanel, who is the sole director and officer of each of the Applicants.

39. Hematite is currently in negotiations with a potential purchaser to sell the Speedvale Facility and consolidate its manufacturing operations at the Branford Facility and the Industrial Plants (defined below). As a result, Hematite began winding down its manufacturing operations at the Speedvale Facility in 2020.

#### *Hematite Industrial Facilities*

40. Hematite Industrial operates from two leased facilities located in Guelph at 659 Speedvale Ave. W. and 551 Imperial Rd. N. (the “**Industrial Plants**”). The plastic products segment of the Hematite Industrial business is operated from 659 Speedvale Ave. W. and the rubber products segment is operated from 551 Imperial Rd. N. The Industrial Plants are

owned by 123 and leased to Hematite Industrial although there is no formal written lease agreement between the two related parties.

41. Currently, Hematite Industrial employs approximately 15 employees at the Industrial Plants. The COVID-19 pandemic had a relatively minor impact on Hematite Industrial's operations and accordingly it was not forced to temporarily lay-off any employees.

#### *Englewood Facility*

42. The primary manufacturing facility of Hematite in the United States is located at 300 Lau Parkway in Englewood, Ohio (the "**Englewood Facility**"). The Englewood Facility was acquired by Hematite through RE 1 in June 2017. and Hematite constructed a 106,000 square foot manufacturing facility as the first phase of its expansion into the US. The Englewood Facility commenced production in April 2018.

43. As set out further below, the Englewood Facility is leased from RE 1 to Hematite US pursuant a sublease agreement dated June 15, 2017.

44. Currently, Hematite US employs approximately 90 employees at the Englewood Facility. As outlined further below, at the onset of the pandemic, Hematite US temporarily laid off approximately 50 employees, most of whom returned to work commencing in late May.

#### *Fayetteville Facility*

45. Hematite US also occupies another 60,000 square foot manufacturing facility located at 49 East Park Drive, Fayetteville, Tennessee (the "**Fayetteville Facility**"). The Fayetteville

Facility is owned by Volunteer Industrial, LLC and leased to Hematite US pursuant a lease agreement dated April 26, 2019 for a term of 16 years. The monthly lease payments for the Fayetteville Facility are currently \$20,079.

46. Hematite commenced occupancy of the Fayetteville Facility in October 2019. The Fayetteville Facility was expected to allow Hematite to better serve existing and new customers in southeastern United States. Prior to the onset of the COVID-19 pandemic, Hematite had begun steps to outfit the Fayetteville Facility, however production had yet to commence. Hematite was initially projecting production to commence in early 2021, however Hematite expects that shutdowns related to the pandemic have pushed that timeline out a further six months into the summer of 2021.

*D. Banking Arrangements*

47. Hematite holds eight bank accounts with TD denominated either in CAD or USD, including four accounts held by Hematite Manufacturing, two accounts held by Hematite Industrial, one account held by Hematite US and one account held by HAPI.

48. All cash management, payment and accounting activity is planned, managed and executed by myself and the accounting staff based at the Speedvale Facility.

(iii) *Impact of COVID-19 Pandemic on Business*

A. *Impact on Production*

49. The COVID-19 pandemic and the resulting government shutdowns had a significant adverse impact on Hematite's financial position. In mid to late March, auto manufacturers suspended all North American production and temporarily ceased to purchase component parts from Hematite for approximately nine weeks commencing in late March.

50. As a result of customers temporarily suspending their production of automobiles, Hematite was forced to temporarily cease the production of all automobile parts, which comprise the majority of Hematite's sales. Hematite completely shut down its operations at the Brantford Facility and the Englewood Facility, which solely produce automotive products.

51. Only a portion of the Speedvale Facility is used for the production of automotive products and it was already in the process of reducing production before being shut-down in late August 2020. Production at the Speedvale Facility was initially reduced from two shifts to one in April. However, in the last week of April, additional staff were brought back to begin production of ASTM Level 3 face masks.

52. As noted above, Hematite Industrial's customers are not in the automotive industry and therefore Hematite Industrial experienced a minimal impact on production due to COVID-19.

53. The Brantford Facility and Englewood Facility were reopened for production on May 21, 2020. However, it took several weeks before production returned to pre-COVID-19 levels as a result of Hematite implementing employee safety measures such as physical distancing.

*B. Impact on Revenues*

54. As a result of these production impacts, the gross sales of Hematite for the period between March and May 2020 were significantly below projection. On a consolidated basis, Hematite estimates that its gross sales between March and May 2020 were approximately \$6.6 million. By comparison, Hematite's gross sales over the same period in 2019 were \$21.4 million and its projected sales for the period pursuant to monthly financial projections issued in December 2019 were \$21.7 million. Accordingly, Hematite's gross sales were approximately 70% below expectations due primarily to the impact of the COVID-19 pandemic.

55. In June 2020, when production was still in the process of ramping back up, Hematite's gross sales were approximately \$3.3 million, compared to \$4.9 million over the same period in 2019. In July and August 2020, Hematite's gross sales returned to a level comparable to the same period in 2019.

*C. Cash Conservation Measures and Relief from Government Programs*

56. In an attempt to combat the negative impacts caused by COVID-19, Hematite took a number of measures to reduce expenses and delay payments where possible, including:

- (a) temporarily laying off approximately 140 employees commencing in late March (including approximately 90 employees at the Brantford Facility and approximately 50 employees at the Englewood Facility), the majority of which consisted of hourly production employees;
- (b) temporarily reducing the salaries and workloads of 55-65 salaried staff by 20% to 40% commencing in April;
- (c) negotiating lease and rent payment deferrals of approximately \$1.6 million over the 9 month period from April to December 2020, which provided short-term cash flow improvements; and
- (d) limiting purchases wherever determined to be possible without having further negative consequences on operations.

57. Furthermore, Hematite applied for both Canadian and United States government subsidies and support programs directly related to COVID-19. The subsidies and programs include:

- (a) The Canada Emergency Wage Subsidy (“**CEWS**”) for all of the initial eligibility periods from March 15, 2020 to September 5, 2020. Hematite has received approximately \$1.5 million under the CEWS program over this period.
- (b) The United States Paycheck Protection Program Note in the amount of USD \$463,750 (or CAD \$649,250). The PPP Note may be forgiven, pursuant to and



subject to, the terms of the PPP Note and the guidance issued in relation thereto by the Small Business Administration and/or the U.S. Department of Treasury. Hematite US anticipates that the entirety of the PPP Note will be forgiven.

- (c) The State of Ohio has waived the calendar 2020 requirement to contribute to the State's worker's compensation fund. Hematite estimates costs savings of USD \$50,000 (or CAD \$70,000).
- (d) The Province of Ontario granted deferrals of Workers Safety and Insurance Board premium remittances for the periods March to July until August 31, 2020. It is anticipated that this provided Hematite with a combined deferral of \$49,000.

58. Despite these cash conservation measures and help from government programs, Hematite still experienced a dramatic drop in its operating income due primarily to the impact of the COVID-19 pandemic. On a combined basis, the Hematite estimates that it experienced an operational loss of \$3.95 million between March and May 2020. By comparison, Hematite's had operating income of approximately \$111,000 over the same period in 2019 and was projected to have operating income of approximately \$30,000 during that period in 2020.

(iv) *Financial Position of the Company*

A. Financial Statements

59. The most recent financial statements produced with respect to Hematite are for the year ended March 30, 2019. Copies of the financial statements for Hematite Holdings, Hematite Manufacturing, Pavaco Plastics Inc. (which was subsequently amalgamated into Hematite Manufacturing) and Hematite US for the year ended March 30, 2019 are attached hereto as **Exhibits “I” to “L”**.

60. In order to provide the Court with more accurate and current information regarding the financial position of Hematite, especially given the significant impact of COVID-19, Hematite has prepared internal unaudited financial statements as at July 31, 2020 (the “**2020 Financial Statements**”). Consistent with Hematite’s traditional accounting and reporting practices, the financial statements reference geographic location and correspond to the following operating entities and facilities:

<b>Financial Statements</b>	<b>Operating Entity</b>	<b>Facility</b>
Hematite – Brantford	Hematite Manufacturing	Brantford Facility
Hematite – Guelph	Hematite Manufacturing	Speedvale Facility
Hematite – Englewood	Hematite US	Englewood Facility
HIP	Hematite Industrial Products	Industrial Plants

61. The 2020 Financial Statements are not intended to be, and may not be, relied upon for any other purpose. Copies of the 2020 Financial Statements are attached hereto as **Exhibit**

“M”.

*B. Secured Indebtedness*

*TD Facilities*

62. Pursuant to a credit agreement dated December 29, 2017, as amended (the “**TD Credit Agreement**”), TD extended revolving facilities to Hematite Manufacturing, Hematite US and Hematite Industrial in the aggregate amount of approximately \$9 million (the “**Initial TD Facilities**”). Additionally, on March 16, 2020, TD extended a temporary revolving loan bulge of approximately \$1.8 million (the “**Bulge**” and collectively with the Initial TD Facilities, the “**TD Facilities**”).

63. All of the advances under the TD Facilities are guaranteed by Hematite Manufacturing, Hematite US, Hematite Industrial Products and 123 (the “**Guarantees**”).

64. Hematite Manufacturing is the lessee under two capital leases provided by TD Equipment Finance Canada, a division of TD, which were each entered into in April 2018 for a term of 84 months and relate to a Fabriweld Thermal Forming Line and a Robotic Waterjet Trimming System located at the Brantford Facility (the “**TD Capital Leases**”). The amount owing under these capital leases as at August 31, 2020 is approximately \$3 million.

65. The amounts owing under the TD Facilities, Guarantees and TD Capital Leases, as applicable, are secured by, among other things, (i) first-ranking general security agreements on all of the assets and undertakings of Hematite Manufacturing and Hematite Industrial Products; (ii) second-ranking general security agreements on all of the assets and

undertakings of 123; (iii) a security agreement from Hematite US granting a first-ranking security interest over accounts receivable and inventory and a second-ranking security interest over equipment; and (iv) collateral mortgages against the Speedvale Facility and the Industrial Plants.

66. As a result of its financial challenges caused by the COVID-19 pandemic and other factors, Hematite was unable to maintain the borrowing covenants set out in the TD Credit Agreement. Hematite entered into a Forbearance Agreement with TD on June 26, 2020, as amended and extended on August 6, 2020 (the “**TD Forbearance Agreement**”). Pursuant to the TD Forbearance Agreement, TD provided certain relief to support Hematite’s working capital needs, including combining the TD Facilities and increasing the credit limit to \$14.5 million and suspending monthly payments under the TD Capital Leases.

67. The forbearance period under the TD Forbearance Agreement expired on September 8, 2020 and TD has indicated that it is not prepared to provide any further working capital relief or extend the forbearance period any further. The aggregate amount owing under the TD Facilities as at August 31, 2020 is approximately \$14.5 million.

#### *BDC Loan*

68. Pursuant to a letter of offer dated December 21, 2017, BDC extended a loan of \$3 million to Hematite Manufacturing (the “**BDC Loan**”). The BDC Loan is guaranteed by, among others, Hematite Industrial, 123, Canadian Pavaco, US Pavaco, Hematite US and HAPI. The BDC Loan is secured by, among other things, a general security agreement on all of the assets and undertakings of Hematite Manufacturing and the various guarantors, which

ranks first with respect to intellectual property and subordinated in rank to TD with respect to receivables and inventory and subordinated to TD and other lenders with respect to equipment. TD and BDC have entered into a subordination and priorities agreement dated April 10, 2014, as amended, which governs the priority of their respective security.

69. BDC has also indicated that it is not prepared to provide any further financing to Hematite. The aggregate amount owing under the BDC Loan as at August 31, 2020 is approximately \$2.8 million.

#### *US Capital Leases*

70. Hematite US is the lessee under five capital leases for equipment at its Englewood Facility, as follows:

- (a) two leases entered into with Key Equipment Finance Canada Ltd. in August 2018 for a term of 60 months. The lease is guaranteed by Hematite Holdings and Hematite Manufacturing. The amount owing under these leases as at August 31, 2020 is approximately \$5.7 million in aggregate;
- (b) a lease entered into with Siemens Financial Services Inc. in July 2019 for a term of 72 months. The lease is guaranteed by Hematite Holdings. The amount owing under this lease as at August 31, 2020 is approximately \$1.1 million;  
and
- (c) two commercial finance agreements entered into with Engs Commercial Finance Co. in September 2019 for a term of 60 months, and in March 2019

for a term of 84 months. The amount owing under these leases is approximately \$2.9 million.

*Englewood Facility Debt*

71. RE 1 purchased the lands upon which the Englewood Facility is located (the “**Englewood Lands**”) from the City of Englewood pursuant to an agreement of purchase and sale dated June 1, 2017. RE 1 financed the purchase of the land and the construction of the Englewood Facility through the following lending and lease arrangements with JobsOhio and the Dayton-Montgomery County Port Authority (the “**Port Authority**”):

- (a) Pursuant to a ground lease dated June 1, 2017, RE 1 leased the Englewood Lands to the Port Authority (the “**Englewood Ground Lease**”);
- (b) Pursuant to a Loan Agreement dated June 15, 2017 between JobsOhio as lender, the Port Authority and Hematite US as borrowers, and Hematite Holdings, Hematite Manufacturing, Hematite Industrial, Pavaco US and Hematite US, among others, as guarantors (the “**JobsOhio Loan Agreement**”), JobsOhio agreed to advance a \$3.5 million term loan to the Port Authority to support construction of the Englewood Facility on the Englewood Lands, and a \$1.5 million term loan to support the acquisition of machinery and equipment by Hematite US (the “**JobsOhio Facilities**”);
- (c) Pursuant to an Amended and Restated Trust Indenture dated as of April 1, 2015 and a Sixteenth Supplemental Trust Indenture dated June 1, 2017 between, among others, the Port Authority and The Bank of New York Mellon

Trust Company, N.A., the Port Authority issued Series 2017B Bonds to also finance a portion of the construction costs of the Englewood Facility (the “**Bonds**”);

- (d) Pursuant to a lease agreement dated June 1, 2017 between the Port Authority and RE 1, the Port Authority agreed to lease the Englewood Facility to RE 1 for a period of 15 years (the “**Englewood Lease**”). RE 1 is required to make monthly rental payments that include debt service payments on the Bonds and the JobsOhio Facilities. On the lease termination date, RE 1 is required to purchase the Englewood Facility by paying the amounts outstanding under the Bonds and the JobsOhio Facilities. RE1 also has the option to purchase the Englewood Facility at certain optional termination dates beforehand provided that it pays these outstanding amounts; and
- (e) Pursuant to a sublease agreement dated June 15, 2017 between RE 1 and Hematite US, RE1 agreed to sublease the Englewood Facility to Hematite US.

72. In the JobsOhio Loan Agreement, Hematite US committed to making a total fixed asset investment of \$18.4 million and creating 100 full-time jobs at the Englewood Facility by December 31, 2021.

73. The JobsOhio Facilities are secured by a first mortgage on the Englewood Lands and a security agreement against all equipment and machinery owned by Hematite US and located at the Englewood Facility.

74. The aggregate amount owing to JobsOhio under the JobsOhio Facilities as at August

31, 2020 is approximately USD \$4.5 million. The aggregate amount owing to the Port Authority under the Lease Agreement and the Bonds as at August 31, 2020 is approximately \$4 million.

*Other Secured Obligations*

75. Hematite also has various other secured obligations primarily relating to equipment leases and purchase-money security interests. A summary of the security interests registered against the Applicants is attached hereto as **Exhibit “N”**.

*C. Accommodations from Customers*

76. In addition to forbearances and working capital assistance from its lenders, Hematite also approached its main customers, Toyota, FCA and Ford, for assistance with its short-term cash needs. Pursuant to an accommodation agreement between Toyota Motor Engineering & Manufacturing North America, Inc., FCA US LLC, Ford Motor Company (collectively, the “**Accommodating OEMs**”) and certain Hematite entities dated August 26, 2020 (the “**Accommodation Agreement**”), the Accommodating OEMs agreed to provide accelerated payments and more favourable payment terms to Hematite. These terms in the Accommodation Agreement were contingent on, among other things, Hematite obtaining further financing from its existing lenders, which it has been unable to obtain as outlined above.

*D. Intercompany Arrangements*

77. The US operations of Hematite are generally funded through the TD Facilities, and not



typically through intercompany advances from the Canadian entities. In connection with the acquisition of the Englewood Facility, Hematite Manufacturing made a CAD \$1.3 million advance to Canadian Pavaco which, in turn, made a USD \$1 million advance to RE 1. As at August 31, 2020, there were no other material intercompany amounts owing between the Applicants.

*E. Ordinary Course Obligations*

78. As at September 11, 2020, Hematite had approximately \$15.8 million in outstanding trade debt.

79. Hematite's employees are paid biweekly in arrears. All ordinary course payments to employees are currently being made and are proposed to continue if the DIP Facility is approved by the Court.

**III. RESTRUCTURING SUPPORT AND ACCOMMODATIONS**

80. As a result of its financial challenges and its inability to obtain further financing from its existing lenders and further advances from its customers, it became clear to Hematite that it would run out of liquidity. Hematite determined that it needed to restructure its business and financial picture if it was to survive. Hematite sought a strategic partner to provide the financial resources and expertise necessary to allow it to complete this restructuring.

81. Following work with BDO and its CRO to explore its options, Hematite Holdings entered into a letter of intent in August 2020 (the "LOI") with Woodbridge, which summarized the terms and conditions pursuant to which Woodbridge or its affiliate were

prepared to sponsor a court supervised financial restructuring of Hematite which would result in Woodbridge or its affiliate acquiring the post-restructuring equity of Hematite Holdings. Since that time, Hematite and Woodbridge have negotiated with Hematite's key lenders (TD and BDC), its key customers (Toyota, FCA and Ford), and certain of its key suppliers in order to reach agreements and arrangements necessary to support the restructuring of Hematite contemplated in the LOI.

82. To further memorialize and finalize the terms of Woodbridge's investment in and support of Hematite's restructuring as set out in the LOI, Hematite has entered into a plan sponsor agreement with Woodbridge (the "**Plan Sponsor Agreement**") dated September 17, 2020. The Plan Sponsor Agreement is attached hereto as **Exhibit "O"**.

83. The Plan Sponsor Agreement requires that Hematite commence CCAA proceedings and meet the following milestones:

- (a) September 18, 2020: the commencement of CCAA proceedings by Hematite and the issuance of an initial order providing, among other things, a stay of proceedings for the initial 10-day period;
- (b) September 28, 2020: the issuance of an amended and restated initial order, among other things, extending the stay of proceedings;
- (c) October 9, 2020: the issuance of an order, among other things, establishing a process to determine and confirm the quantum of claims against Hematite;

- (d) November 13, 2020: the issuance of an order authorizing the filing of a CCAA Plan and the conduct of a meeting of creditors affected thereby to vote on the CCAA Plan; and
- (e) December 18, 2020: the issuance of an order sanctioning the CCAA Plan should it be approved by the required majorities of affected creditors pursuant to the CCAA.

84. Woodbridge has made arrangements with each of TD and BDC whereby, subject to finalization and execution of definitive documentation and conditional upon the granting of the Initial Order, Woodbridge will acquire part of the debt and all of the security of TD (other than in respect of capital leases) as against the Applicants and BDC will agree to forbear from enforcing its rights and will amend its credit agreement to convert its debt into a post-restructuring facility, pursuant to terms mutually agreed upon between Woodbridge and each of TD and BDC.

85. Woodbridge and Hematite have also entered into customer support and consent agreements with each of the Accommodating OEMs whereby they have agreed to certain ongoing purchase commitments to support the ongoing operation of the Hematite business during and following these CCAA proceedings.

86. As outlined further below, Woodbridge has also agreed to provide Hematite Holdings with the DIP Facility in an amount up to \$6 million for the purpose of allowing Hematite to meet its immediate cash needs during the pendency of these CCAA proceedings. Approval of the first \$2.3 million of this DIP Facility will be sought as part of the Initial Order to meet the

Applicants' most urgent cash flow needs, with the remainder to be sought at the comeback hearing.

#### **IV. CCAA PROCEEDINGS**

##### ***(i) Applicants are Insolvent***

87. I am advised by James Gage of McCarthy Tétrault LLP and verily believe that, for the purposes of the CCAA, a company is insolvent if, among other things:

- (a) the aggregate of its property is not, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all its obligations, due and accruing due;
- (b) it is, for any reason, unable to meet its obligations as they generally become due; or
- (c) it is facing a looming liquidity crisis.

88. In light of the present circumstances, each of the Applicants is insolvent as they are each facing an immediate liquidity crisis. As the Cash Flow Forecast, defined and discussed below, indicates, the Applicants will run out of cash by the week of September 21, 2020 and will be unable to meet payroll and other obligations coming due. As it is unable to obtain any further financing from its existing lenders and cannot obtain any further advance payments from its major customers, Hematite requires CCAA protection and emergency financing to remain in business.

(ii) *Stay of Proceedings*

89. A stay of proceedings against Hematite is necessary at this time to, among other things, maintain the status quo and maintain the breathing room and emergency financing required to pursue its restructuring strategy supported by Woodbridge. With the benefit of the protection afforded by the CCAA, Hematite will be able to maintain its value, preserve jobs for its approximately 275 employees and generally stabilize its business operations for the benefit of its stakeholders.

90. The proposed Initial Order provides for a stay of all proceedings against or in respect of the Applicants or the Monitor or affecting the Business or Property (as defined in the proposed Initial Order).

91. The Applicants are also seeking a stay of all rights and remedies against or in respect of 123 and RE 1 (the “**Affected Parties**”) arising out of, relating to, or triggered by the insolvency of the Applicants or the commencement of these proceedings (the “**Cross-Default Rights**”). The Affected Parties own certain of the facilities where the manufacturing operations of Hematite are carried out. Specifically, 123 owns the Speedvale Facility and RE 1 owns the Englewood Facility. If counterparties were able to rely on Cross-Default Rights in certain financing agreements and other contracts with the Affected Parties, it may affect the ability of Hematite to access these facilities, which would have a significant negative impact on the financial position of Hematite. The counterparties affected by this stay would be entitled to rely on all other contractual rights and remedies that are not related to these proceedings commenced by the Applicants.

*(iii) Appointment of Monitor*

92. The Applicants are seeking the appointment of KPMG Inc. (“**KPMG**”) as the proposed CCAA monitor in these proceedings (in such capacity, the “**Proposed Monitor**”). The consent of KPMG to act as the Monitor is attached at Tab 3 of the Application Record.

*(iv) Payments During the CCAA Proceedings*

93. As set out in the proposed Initial Order, Hematite is seeking authorization to pay certain expenses, whether incurred prior to, on or after the Initial Filing Date, in respect of:

- (a) outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants (as such term is defined in the proposed Initial Order) retained or employed by Hematite.

94. The continued payment of these obligations is necessary for the continued operation of the Business or in connection with the CCAA proceedings and efforts to address Hematite’s current financial circumstances. Hematite believes it is in the best interests of its stakeholders that such expenses continue to be paid in the normal course, regardless of whether such expenses were incurred prior to, on or after the Initial Filing Date.

95. In the proposed Initial Order, Hematite is also seeking the authority to pay all reasonable expenses incurred in carrying on the Business in the ordinary course after the

Initial Filing Date, including (a) expenses and capital expenditures reasonably necessary for the preservation of Hematite's Business or property; (b) expenses required to ensure compliance with any governmental, regulatory, or other enforcement action; and (c) payment for goods and services supplied or to be supplied to Hematite after the date of the Initial Filing Date.

(v) ***DIP Facility***

96. As noted above, pursuant to a Revolving DIP Loan Agreement dated September 17, 2020 between Woodbridge and Hematite (the "**DIP Loan Agreement**"), Woodbridge has agreed to provide a revolving debtor-in-possession financing facility (the "**DIP Facility**") in the maximum principal amount of \$6 million at an interest rate of 15% per annum, payable on a monthly basis. A copy of the DIP Loan Agreement is attached hereto as **Exhibit "P"**. The following are certain material terms of the DIP Loan Agreement:

- (a) **Borrowers**: Each of the Applicants are borrowers under the DIP Facility (the "**Borrowers**");
- (b) **Advances**: The advances under the DIP Facility will be limited to \$2.3 million during the initial 10-day stay period, with an additional tranche of \$3.7 million made available afterwards, subject to the conditions in the DIP Loan Agreement being met;
- (c) **Use of Proceeds**: Advances will be used by the Borrowers for the purpose of
  - (i) meeting the Borrowers' immediate cash needs for general operating purposes; and
  - (ii) its restructuring, including payment of professional fees and

expenses and its working capital requirements during the pendency of these CCAA proceedings; and

- (d) DIP Charge: The DIP Facility will be secured by a super-priority charge (the “**DIP Lender’s Charge**”) on all of the present and after-acquired real and personal property of the Borrowers pursuant to the Initial Order.

(vi) *Cash Flow Forecast*

97. Attached hereto as **Exhibit “Q”** is the projected 13-week cash flow forecast of Hematite for the week ending September 18, 2020 to the week ending December 11, 2020 (the “**Cash Flow Forecast**”). The Cash Flow Forecast was prepared by the Applicants with the assistance of the Proposed Monitor.

98. The Cash Flow Forecast demonstrates that if the relief requested is granted, including approving the DIP Loan Agreement and the DIP Charge, Hematite will have sufficient liquidity to meet its obligations during the initial 13-week period of the CCAA filing.

(vii) *Charges*

A. Administration Charge

99. The proposed Initial Order provides for a Court-ordered charge over the assets, property and undertaking of the Applicants (the “**Administration Charge**”) in favour of the Proposed Monitor, legal counsel to the Proposed Monitor and legal counsel to the Applicants in respect of their fees and disbursements incurred at their standard rates and charges, in order to ensure the active involvement and assistance of such persons during the CCAA



proceedings.

100. The proposed Administration Charge is in an aggregate amount of \$250,000 in the Initial Order, which is the amount that is reasonably necessary for the initial 10-day stay period. The Applicants intend to seek an increase in the maximum amount of the Administration Charge to \$500,000 at the comeback hearing. The amount of the proposed Administration Charge has been reviewed with the Proposed Monitor.

*B. DIP Lender's Charge*

101. Hematite's access to the DIP Facility is conditional upon the provision of an order of this Court, among other things, approving the DIP Loan Agreement and approving the amount and priority of the DIP Lender's Charge. As noted above, advances under the DIP Facility will be limited to \$2.3 million during the initial 10-day stay period and the amount of the DIP Lender's Charge will be limited accordingly. The amount of the proposed DIP Lender's Charge is reasonable necessary for the initial 10-day stay period and has been reviewed with the Proposed Monitor. The Applicants intend to seek an increase in the maximum amount of advances, and the DIP Lender's Charge, to \$6 million at the comeback hearing.

*C. Directors' Charge*

102. As noted above, John Pavanel is the sole director and officer of each of the Applicants. Mr. Pavanel will be actively involved in overseeing and directing, among other things, the operation of the Business during the CCAA proceedings, the progress of the restructuring transaction and efforts to resolve Hematite's current financial situation.

103. It is my understanding that, in certain circumstances, directors and officers can be held personally liable for certain of a company's obligations, including in connection with payroll remittances, workers' compensation remittances, harmonized sales taxes and goods and services taxes. Furthermore, I understand it may be possible for directors and officers of a corporation to be held personally liable for certain employment-related obligations. Hematite has limited or no directors and officers insurance.

104. Accordingly, the proposed Initial Order provides for a Court-ordered charge over the assets, property and undertaking of the Applicants (the "**Directors' Charge**") to indemnify the directors and officers of the Applicants in respect of liabilities they may incur during the CCAA proceedings in their capacities as directors and officers. The proposed Directors' Charge is in an aggregate amount of \$250,000 in the Initial Order, which is the amount that is reasonably necessary for the initial 10-day stay period. The Applicants intend to seek an increase in the maximum amount of the Directors' Charge to \$500,000 at the comeback hearing. The amount of the proposed Directors' Charge has been reviewed with the Proposed Monitor.

*D. Priorities of Charges*

105. The Applicants believe that the amounts of the Administration Charge, the DIP Lender's Charge and the Directors' Charge (collectively, the "**Charges**") in the Initial Order are appropriate in the circumstances.

106. It is contemplated that the priorities of the Charges will be as follows:

- (a) First – Administration Charge (to the maximum initial amount of \$250,000);

- (b) Second – DIP Lender’s Charge; and
- (c) Third – Directors’ Charge (to the maximum initial amount of \$300,000).

107. The Initial Order sought by the Applicants provide for the Charges to rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise, (collectively, the “**Encumbrances**”), other than certain specified exceptions, such as purchase-money security interests, statutory deemed trusts for source deductions, certain pension plan amounts, municipal property tax and utility liens (each to the extent it is a super-priority). I am advised by James Gage of McCarthy Tétrault LLP and I believe that the specified exceptions are intended to represent those claims that have priority outside of CCAA proceedings.

108. At the comeback hearing, the Applicants intend to request that the Charges rank in priority to the Encumbrances as well, on notice to the creditors that may be impacted by such relief.

*(viii) Service and Notice*

109. Hematite is also seeking approval of its proposed manner of service and notice of the Initial Order and the comeback motion authorized pursuant to the Initial Order. In particular, the Applicants propose that the Monitor shall provide notice by way of publication, by making the Initial Order publicly available as prescribed in the CCAA, and by sending a notice (which shall include the date of the comeback motion) to known creditors with claims over \$1000 by e-mail (or physical mail if the Applicants do not have e-mail addresses on file for a particular known creditor).

110. The proposed Initial Order also provides that Hematite may rely on the notice provided by the Monitor (as described above) to provide notice of the comeback motion and shall only be required to serve motion materials in relation to the comeback motion on those parties who serve a Notice of Appearance in the proceeding or otherwise request service of such materials or to be added to the service list, in writing, in advance of the comeback motion.

**(ix) *Foreign Proceedings***

111. In light of the significant operations that Hematite has in the United States, the Applicants intend to seek recognition of these proceedings and the Initial Order as soon as practicable from the United States Bankruptcy Court for the District of Delaware pursuant to Chapter 15 of title 11 of the United States Code. The Initial Order contemplates that Hematite Holdings Inc. will be appointed as the foreign representative and authorized to seek recognition of these proceedings in the United States.

112. As set out above, there are three Applicants that are incorporated and existing in the United States: US Pavaco, Hematite US and HAPI. However, it is appropriate for proceedings to be commenced under the CCAA with respect to these Applicants as they are each part of the integrated business of Hematite that has its centre of main interests in Ontario for the following reasons, among others:

- (a) John Pavanel is the sole director and officer of each of the Applicants and he ordinarily resides in Canada and is primarily based at the Speedvale Facility;

- (b) I am responsible for overseeing the cash management and treasury functions of the entire Hematite business, including with respect to its US operations, and I ordinarily reside in Canada and am primarily based at the Speedvale Facility;
- (c) while there is a general manager and administrative staff that are based at the Englewood Facility, all material financial, strategic, management, marketing and personnel decisions are made from the corporate headquarters at the Speedvale Facility;
- (d) all intellectual property used in the Hematite business is owned by Hematite Manufacturing;
- (e) the books and records of Hematite are kept in Canada at the Speedvale Facility; and
- (f) Hematite has operated production facilities in Canada since 1978, whereas it has only been carrying out production in the US since 2018.

## **V. CONCLUSION**

113. Hematite requires the stability and breathing room provided by the CCAA process to enable Hematite to implement its restructuring plan. The restructuring plan is supported by all of Hematite's key stakeholders, including its secured lenders, major customers and certain key suppliers. The restructuring plan is in the best interests of Hematite and its employees, creditors and other stakeholders generally as a successful restructuring will allow Hematite to emerge as a more viable enterprise able to compete and hopefully prosper in this difficult environment.

114. The relief requested in the proposed Initial Order is limited to relief that is reasonably necessary for the continued operations of Hematite in the ordinary course of business during the initial 10-day stay period.

SWORN BEFORE ME over videoconference on this 17th day of September, 2020. The affiant was located in the City of Guelph, in the Province of Ontario and the Commissioner was located in the Town of Whitchurch-Stouffville, in the Province of Ontario. This affidavit was commissioned remotely as a result of the COVID-19 pandemic.

}   
Jacques Nadeau



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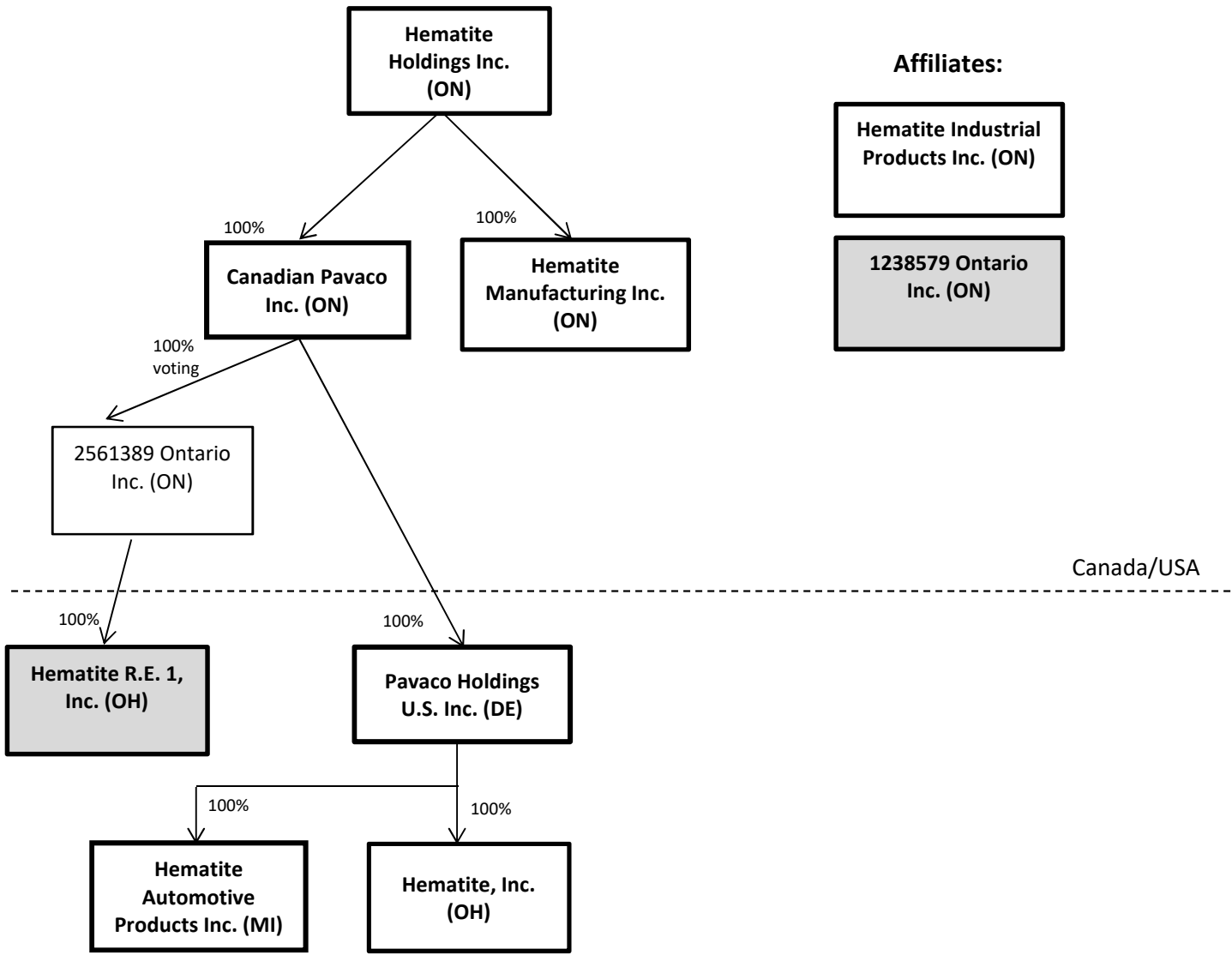
A Commissioner for taking Affidavits  
Name: Trevor Courtis (LSO# 67715A)

This is **Exhibit “A”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

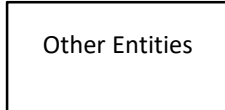


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A Commissioner for taking affidavits



**Legend**





This is **Exhibit "B"** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

# CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date	
2508581	HEMATITE HOLDINGS INC.	2016/03/11	
		Jurisdiction	
		ONTARIO	
Corporation Type	Corporation Status	Former Jurisdiction	
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE	
Registered Office Address	Date Amalgamated	Amalgamation Ind.	
DARKO MESICH 659 SPEEDVALE AVENUE WEST	NOT APPLICABLE	NOT APPLICABLE	
	New Amal. Number	Notice Date	
GUELPH ONTARIO CANADA N1K 1E6	NOT APPLICABLE	NOT APPLICABLE	
	Letter Date	NOT APPLICABLE	
Mailing Address	Revival Date	Continuation Date	
JOHN CHARLES PAVANEL 659 SPEEDVALE AVENUE WEST	NOT APPLICABLE	NOT APPLICABLE	
	Transferred Out Date	Cancel/Inactive Date	
GUELPH ONTARIO CANADA N1K 1E6	NOT APPLICABLE	NOT APPLICABLE	
	EP Licence Eff.Date	EP Licence Term.Date	
	NOT APPLICABLE	NOT APPLICABLE	
	Number of Directors Minimum      Maximum	Date Commenced in Ontario	Date Ceased in Ontario
	00001      00010	NOT APPLICABLE	NOT APPLICABLE
Activity Classification			
NOT AVAILABLE			

# CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2508581	HEMATITE HOLDINGS INC.

Corporate Name History	Effective Date
HEMATITE HOLDINGS INC.	2016/03/11

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
JOHN CHARLES PAVANEL	875 UNIVERSITY AVENUE EAST  Suite # 53 WATERLOO ONTARIO CANADA N2K 0A1

Date Began	First Director	
2016/03/11	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

# CORPORATION PROFILE REPORT

**Ontario Corp Number**

**Corporation Name**

2508581

HEMATITE HOLDINGS INC.

**Administrator:**

**Name (Individual / Corporation)**

**Address**

JOHN  
CHARLES  
PAVANEL

875 UNIVERSITY AVENUE EAST

**Suite # 53**  
WATERLOO  
ONTARIO  
CANADA N2K 0A1

**Date Began**

**First Director**

2016/03/11

NOT APPLICABLE

**Designation**

**Officer Type**

**Resident Canadian**

OFFICER

PRESIDENT

Y

**Administrator:**

**Name (Individual / Corporation)**

**Address**

JOHN  
CHARLES  
PAVANEL

875 UNIVERSITY AVENUE EAST

**Suite # 53**  
WATERLOO  
ONTARIO  
CANADA N2K 0A1

**Date Began**

**First Director**

2016/03/11

NOT APPLICABLE

**Designation**

**Officer Type**

**Resident Canadian**

OFFICER

SECRETARY

Y

# CORPORATION PROFILE REPORT

**Ontario Corp Number**

2508581

**Corporation Name**

HEMATITE HOLDINGS INC.

**Administrator:  
Name (Individual / Corporation)**

JOHN  
CHARLES  
PAVANEL

**Address**

875 UNIVERSITY AVENUE EAST

**Suite # 53**  
WATERLOO  
ONTARIO  
CANADA N2K 0A1

**Date Began**

2016/03/11

**First Director**

NOT APPLICABLE

**Designation**

OFFICER

**Officer Type**

TREASURER

**Resident Canadian**

Y

# CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2508581	HEMATITE HOLDINGS INC.

Last Document Recorded		Form	Date
Act/Code	Description		
CIA	ANNUAL RETURN 2019	1C	2019/08/18 (ELECTRONIC FILING)

**THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.**

**ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.**

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

This is **Exhibit “C”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020



---

A Commissioner for taking affidavits

# CORPORATION PROFILE REPORT

<b>Ontario Corp Number</b>	<b>Corporation Name</b>	<b>Incorporation Date</b>	
805315	CANADIAN PAVACO INC.	1988/12/16	
		<b>Jurisdiction</b>	
		ONTARIO	
<b>Corporation Type</b>	<b>Corporation Status</b>	<b>Former Jurisdiction</b>	
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE	
<b>Registered Office Address</b>		<b>Date Amalgamated</b>	<b>Amalgamation Ind.</b>
611 IMPERIAL ROAD NORTH		NOT APPLICABLE	NOT APPLICABLE
		<b>New Amal. Number</b>	<b>Notice Date</b>
GUELPH ONTARIO CANADA N1K 1A6		NOT APPLICABLE	NOT APPLICABLE
<b>Mailing Address</b>			<b>Letter Date</b>
611 IMPERIAL ROAD NORTH			NOT APPLICABLE
		<b>Revival Date</b>	<b>Continuation Date</b>
GUELPH ONTARIO CANADA N1K 1A6		NOT APPLICABLE	NOT APPLICABLE
		<b>Transferred Out Date</b>	<b>Cancel/Inactive Date</b>
		NOT APPLICABLE	NOT APPLICABLE
		<b>EP Licence Eff.Date</b>	<b>EP Licence Term.Date</b>
		NOT APPLICABLE	NOT APPLICABLE
		<b>Number of Directors Minimum      Maximum</b>	<b>Date Ceased in Ontario</b>
<b>Activity Classification</b>	UNKNOWN    UNKNOWN	<b>Date Commenced in Ontario</b>	NOT APPLICABLE
NOT AVAILABLE			NOT APPLICABLE



# CORPORATION PROFILE REPORT

<b>Ontario Corp Number</b>	<b>Corporation Name</b>
805315	CANADIAN PAVACO INC.

<b>Corporate Name History</b>	<b>Effective Date</b>
CANADIAN PAVACO INC.	1988/12/16

<b>Current Business Name(s) Exist:</b>	NO
<b>Expired Business Name(s) Exist:</b>	NO

<b>Administrator: Name (Individual / Corporation)</b>	<b>Address</b>
JOHN C. PAVANEL	659 SPEEDVALE AVENUE WEST C/O HEMATITE HOLDINGS INC.  GUELPH ONTARIO CANADA N1K 1E6

<b>Date Began</b>	<b>First Director</b>	
1988/12/16	NOT APPLICABLE	
<b>Designation</b>	<b>Officer Type</b>	<b>Resident Canadian</b>
OFFICER	SECRETARY	Y

# CORPORATION PROFILE REPORT

<b>Ontario Corp Number</b>	<b>Corporation Name</b>
805315	CANADIAN PAVACO INC.

<b>Administrator: Name (Individual / Corporation)</b>	<b>Address</b>
JOHN C. PAVANEL	659 SPEEDVALE AVENUE WEST C/O HEMATITE HOLDINGS INC.  GUELPH ONTARIO CANADA N1K 1E6

<b>Date Began</b>	<b>First Director</b>	<b>Resident Canadian</b>
2007/01/24	NOT APPLICABLE	
<b>Designation</b>	<b>Officer Type</b>	<b>Resident Canadian</b>
DIRECTOR		Y

<b>Administrator: Name (Individual / Corporation)</b>	<b>Address</b>
JOHN C. PAVANEL	659 SPEEDVALE AVENUE WEST C/O HEMATITE HOLDINGS INC.  GUELPH ONTARIO CANADA N1K 1E6

<b>Date Began</b>	<b>First Director</b>	<b>Resident Canadian</b>
2007/01/24	NOT APPLICABLE	
<b>Designation</b>	<b>Officer Type</b>	<b>Resident Canadian</b>
OFFICER	PRESIDENT	Y

# CORPORATION PROFILE REPORT

<b>Ontario Corp Number</b>	<b>Corporation Name</b>
805315	CANADIAN PAVACO INC.

<b>Last Document Recorded</b>		
<b>Act/Code</b>	<b>Description</b>	<b>Date</b>
CIA	CHANGE NOTICE	2017/03/06 (ELECTRONIC FILING)

**THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.**

**ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.**

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

This is **Exhibit “D”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to read 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

# CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Amalgamation Date
5024900	HEMATITE MANUFACTURING INC.	2020/03/29
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
46 PLANT FARM BOULEVARD	NOT APPLICABLE	A
	New Amal. Number	Notice Date
BRANTFORD ONTARIO CANADA N3S 7W3	NOT APPLICABLE	NOT APPLICABLE
Mailing Address		Letter Date
46 PLANT FARM BOULEVARD		NOT APPLICABLE
	Revival Date	Continuation Date
BRANTFORD ONTARIO CANADA N3S 7W3	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors	
	Minimum	Maximum
	00001	00010
	Date Commenced in Ontario	Date Ceased in Ontario
	NOT APPLICABLE	NOT APPLICABLE
Activity Classification		
NOT AVAILABLE		

# CORPORATION PROFILE REPORT

**Ontario Corp Number**

5024900

**Corporation Name**

HEMATITE MANUFACTURING INC.

**Corporate Name History**

HEMATITE MANUFACTURING INC.

**Effective Date**

2020/03/29

**Current Business Name(s) Exist:**

NO

**Expired Business Name(s) Exist:**

NO

**Amalgamating Corporations**

**Corporation Name**

HEMATITE MANUFACTURING INC.

PAVACO PLASTICS INC.

**Corporate Number**

2043427

5015682

# CORPORATION PROFILE REPORT

**Ontario Corp Number**

5024900

**Corporation Name**

HEMATITE MANUFACTURING INC.

**Administrator:**

**Name (Individual / Corporation)**

JOHN  
CHARLES  
PAVANEL

**Address**

306 GOLF COURSE ROAD

CONESTOGO  
ONTARIO  
CANADA N0B 1N0

**Date Began**

2020/03/29

**First Director**

NOT APPLICABLE

**Designation**

DIRECTOR

**Officer Type**

**Resident Canadian**

Y

**Administrator:**

**Name (Individual / Corporation)**

JOHN  
CHARLES  
PAVANEL

**Address**

306 GOLF COURSE ROAD

CONESTOGO  
ONTARIO  
CANADA N0B 1N0

**Date Began**

2020/03/29

**First Director**

NOT APPLICABLE

**Designation**

OFFICER

**Officer Type**

PRESIDENT

**Resident Canadian**

Y

# CORPORATION PROFILE REPORT

**Ontario Corp Number**

5024900

**Corporation Name**

HEMATITE MANUFACTURING INC.

**Administrator:  
Name (Individual / Corporation)**

JOHN  
CHARLES  
PAVANEL

**Address**

306 GOLF COURSE ROAD

CONESTOGO  
ONTARIO  
CANADA N0B 1N0

**Date Began**

2020/03/29

**First Director**

NOT APPLICABLE

**Designation**

OFFICER

**Officer Type**

SECRETARY

**Resident Canadian**

Y



# CORPORATION PROFILE REPORT

**Ontario Corp Number**

5024900

**Corporation Name**

HEMATITE MANUFACTURING INC.

**Last Document Recorded**

Act/Code	Description	Form	Date
CIA	INITIAL RETURN	1	2020/04/06 (ELECTRONIC FILING)

**THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.**

**ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.**

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

This is **Exhibit “E”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020



---

A Commissioner for taking affidavits

# CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2237706	HEMATITE INDUSTRIAL PRODUCTS INC.	2010/03/19
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address	Date Amalgamated	Amalgamation Ind.
659 SPEEDVALE AVENUE	NOT APPLICABLE	NOT APPLICABLE
	New Amal. Number	Notice Date
GUELPH ONTARIO CANADA N1K 1E6	NOT APPLICABLE	NOT APPLICABLE
Mailing Address		Letter Date
551 IMPERIAL ROAD NORTH		NOT APPLICABLE
	Revival Date	Continuation Date
GUELPH ONTARIO CANADA N1H 7M3	NOT APPLICABLE	NOT APPLICABLE
	Transferred Out Date	Cancel/Inactive Date
	NOT APPLICABLE	NOT APPLICABLE
	EP Licence Eff.Date	EP Licence Term.Date
	NOT APPLICABLE	NOT APPLICABLE
	Number of Directors	
	Minimum	Maximum
	00001	00010
Activity Classification	Date Commenced in Ontario	Date Ceased in Ontario
NOT AVAILABLE	NOT APPLICABLE	NOT APPLICABLE

# CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2237706	HEMATITE INDUSTRIAL PRODUCTS INC.

Corporate Name History	Effective Date
HEMATITE INDUSTRIAL PRODUCTS INC.	2018/06/28
SILICONE RUBBER CANADA LTD.	2010/03/19

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
JOHN CHARLES PAVANEL	659 SPEEDVALE AVENUE WEST C/O HEMATITE HOLDINGS INC.  GUELPH ONTARIO CANADA N1K 1E6

Date Began	First Director	
2010/03/19	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

# CORPORATION PROFILE REPORT

**Ontario Corp Number**

2237706

**Corporation Name**

HEMATITE INDUSTRIAL PRODUCTS INC.

**Administrator:**

**Name (Individual / Corporation)**

JOHN  
CHARLES  
PAVANEL

**Address**

659 SPEEDVALE AVENUE WEST  
C/O HEMATITE HOLDINGS INC.

GUELPH  
ONTARIO  
CANADA N1K 1E6

**Date Began**

2010/03/19

**First Director**

NOT APPLICABLE

**Designation**

OFFICER

**Officer Type**

PRESIDENT

**Resident Canadian**

Y

**Administrator:**

**Name (Individual / Corporation)**

JOHN  
CHARLES  
PAVANEL

**Address**

659 SPEEDVALE AVENUE WEST  
C/O HEMATITE HOLDINGS INC.

GUELPH  
ONTARIO  
CANADA N1K 1E6

**Date Began**

2010/03/19

**First Director**

NOT APPLICABLE

**Designation**

OFFICER

**Officer Type**

SECRETARY

**Resident Canadian**

Y

# CORPORATION PROFILE REPORT

**Ontario Corp Number**

2237706

**Corporation Name**

HEMATITE INDUSTRIAL PRODUCTS INC.

**Last Document Recorded**

Act/Code	Description	Form	Date
CIA	ANNUAL RETURN 2019	1C	2019/08/04 (ELECTRONIC FILING)

**THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.**

**ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.**

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This is **Exhibit “F”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

DELAWARE STATUS SEARCH



**PAVACO HOLDINGS (U.S.) INC.**

**File Number** 2184171 **Status** Good Standing **Matter Number** n/a

[Print Report](#) [Fax Report](#) [Email Report](#)

**Entity Information**

**Search Results Date/Time** 09-08-2020 18:19

**Corp Name** PAVACO HOLDINGS (U.S.) INC.

**File Number** 2184171 **Status** Good Standing since 20200717

**Entity Type** Corporation **Corp Type** Closed Corp  
**Tax Type** A/R Filing Required **Stock Corporation** Yes  
**Residency** Domestic **State** DE

**Incorporation Date** 19890112  
**Renew Date** **Expire Date**  
**Bankruptcy** **Bankrupt Date**  
**Case No**  
**Orig Incorp Country** **Orig Date**  
**Merged To Number**  
**Qtrly Filings** False **Last Ann Rpt** 2019  
**Foreign incorporation date**  
**Original foreign name**  
**Original foreign kind**

**Registered Agent**

**Agent Name** THE CORPORATION TRUST COMPANY **Agent ID** 9000010  
**Address** CORPORATION TRUST CENTER  
 1209 ORANGE ST  
 , WILMINGTON, New Castle  
**State** DE **Country** US **Zip** 19801

**Stock Information**

**Amendment No** 0 **Effective Date** 19890112 **End Date**

Description	Class	Series	Authorized	Par Value	Designated shares
COMMON			3000	1000	0
<b>Total Shares Authorized</b>					3000
<b>No Par Shares</b>					0



 **Filing History (last 5 filings)**

Filing Year	Document Code	Pages	Filing Date/Time	Effective Date	Filing Status	Merger Type
2020	Renewal for Void	1	20200717T15:35:00:0000	20200717	Archived	
2017	Renewal for Void	1	20170612T11:29:00:0000	20170612	Archived	
1989	Stock Corporation	4	19890112T10:00:00:0000	19890112	Completed	

 **Taxes Due (last 3 years)**

Tax Year	Filing Fee	Total Tax	Penalty	Interest	Other	Paid	Balance
2020	50	175	0	0	0	0	225
2019	50	175	200	0	0	425	0
2018	50	175	200	67.50	0	492.50	0
<b>Tax Balance</b>							<b>225</b>

 **SEARCH AGAIN**

The information above is taken from the records of Delaware's Office of the Secretary of State and reflects information of record as of the thru date listed on this report. CSC cannot and does not independently verify the accuracy or completeness of this information and, accordingly, we make no guaranties or representations about the accuracy or completeness of the information and disclaim any warranties about it and any liability for errors or omissions. If you wish to obtain a certified copy of documents on file or an official good standing, please contact your CSC Customer Service Representative.

This is **Exhibit “G”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

**Entity#:** 2300599  
**Filing Type:** CORPORATION FOR PROFIT  
**Original Filing Date:** 06/03/2014  
**Location:** ENGLEWOOD-  
**Business Name:** HEMATITE, INC.  
  
**Status:** Active  
**Exp. Date:** -

## Agent/Registrant Information

C T CORPORATION SYSTEM  
4400 EASTON CMNS WAY STE 125  
COLUMBUS OH 43219  
03/21/2019  
Active

## Filings

Filing Type	Date of Filing	Document ID
DOMESTIC ARTICLES/FOR PROFIT	06/03/2014	201415501035
DOMESTIC AGENT SUBSEQUENT APPOINTMENT	03/21/2019	201908006784
DOMESTIC/AMENDMENT TO ARTICLES	03/21/2019	201908401300

**UNITED STATES OF AMERICA  
STATE OF OHIO  
OFFICE OF SECRETARY OF STATE**

*I, Frank LaRose, Secretary of State of the State of Ohio, do hereby certify that this is a list of all records approved on this business entity and in the custody of the Secretary of State.*



*Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 8th of September, A.D. 2020*

**Ohio Secretary of State**



This is **Exhibit “H”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

# LARA Corporations Online Filing System

Department of Licensing and Regulatory Affairs

**ID Number:** 800433092

[Request certificate](#)

[Return to Results](#)

[New search](#)

**Summary for:** HEMATITE AUTOMOTIVE PRODUCTS, INC.

**The name of the DOMESTIC PROFIT CORPORATION:** HEMATITE AUTOMOTIVE PRODUCTS, INC.

**The name was changed from:** HEMATITE ACOUSTICAL PRODUCTS INC. on 10-30-1997

**Entity type:** DOMESTIC PROFIT CORPORATION

**Identification Number:** 800433092 **Old ID Number:** 417031

**Date of Incorporation in Michigan:** 01/11/1989

**Purpose:**

**Term:** Perpetual

**Most Recent Annual Report:** 2020

**Most Recent Annual Report with Officers & Directors:** 2018

**The name and address of the Resident Agent:**

Resident Agent Name: THE CORPORATION COMPANY

Street Address: 40600 ANN ARBOR ROAD EAST

Apt/Suite/Other: SUITE 201

City: PLYMOUTH State: MI Zip Code: 48170-4675

**Registered Office Mailing address:**

P.O. Box or Street Address: 40600 ANN ARBOR ROAD EAST

Apt/Suite/Other: SUITE 201

City: PLYMOUTH State: MI Zip Code: 48170-4675

**The Officers and Directors of the Corporation:**

Title	Name	Address
PRESIDENT	JOHN C. PAVANEL	37450 SCHOOLCRAFT #140 LIVONIA, MI 48150 USA
TREASURER	JOHN C. PAVANEL	37450 SCHOOLCRAFT #140 LIVONIA, MI 48150 USA
SECRETARY	JOHN C. PAVANEL	37450 SCHOOLCRAFT #140 LIVONIA, MI 48150 USA
DIRECTOR	JOHN C. PAVANEL	37450 SCHOOLCRAFT #140 LIVONIA, MI 48150 USA

**Act Formed Under:** 284-1972 Business Corporation Act

**Total Authorized Shares:** 50,000

**Written Consent**

**View filings for this business entity:**

ALL FILINGS  
ANNUAL REPORT/ANNUAL STATEMENTS  
ARTICLES OF INCORPORATION  
RESTATED ARTICLES OF INCORPORATION  
RESTATED ARTICLES OF INCORPORATION



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Copyright 2020 State of Michigan

This is **Exhibit "I"** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

**Hematite Holdings Inc.**  
**Combined Financial Statements**  
**For the Year Ended March 30, 2019**  
**(Unaudited - see Notice to Reader)**



**Hematite Holdings Inc.**  
**Combined Financial Statements**  
**For the Year Ended March 30, 2019**  
**(Unaudited - see Notice to Reader)**

---

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Combined Statement of Operations and Retained Earnings	3
Note to Combined Financial Statements	4



Tel: 519 824 5410  
Fax: 519 824 5497  
Toll-free: 877 236 4835  
[www.bdo.ca](http://www.bdo.ca)

BDO Canada LLP  
512 Woolwich Street  
Guelph ON N1H 3X7 Canada

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## Notice to Reader

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On the basis of information provided by management, we have compiled the combined balance sheet of Hematite Holdings Inc. as at March 30, 2019 and the combined statement of operations and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these combined financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these combined statements may not be appropriate for their purposes.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario  
July 17, 2019

**Hematite Holdings Inc.  
Combined Balance Sheet  
(Unaudited - see Notice to Reader)**

	March 30, 2019	March 31 2018
<b>Assets</b>		
<b>Current</b>		
Accounts receivable	\$ 13,457,572	\$ 14,548,478
Inventories	4,554,077	3,719,119
Prepaid expenses	1,449,216	1,492,946
Investments tax credits receivable	777,510	860,315
Government grant receivable	-	539,587
	20,238,375	21,160,445
<b>Note receivable</b>	-	1,500,000
<b>Long-term investments</b>	246,910	217,748
<b>Due from related parties (Note 2)</b>	363,132	-
<b>Property, plant and equipment</b>	28,110,545	21,289,618
<b>Long-term investments tax credits receivable</b>	812,847	647,118
<b>Due from shareholders</b>	526,504	265,818
	\$ 50,298,313	\$ 45,080,747
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Bank indebtedness	\$ 10,240,453	\$ 7,859,734
Accounts payable and accrued liabilities	13,134,427	11,912,427
Current portion of long-term debt	652,117	294,642
Income taxes payable	99,420	124,916
Current portion of obligation under capital lease	2,702,159	2,701,726
	26,828,576	22,893,445
<b>Long-term debt</b>	6,848,022	4,097,953
<b>Due to related parties (Note 2)</b>	-	1,461,551
<b>Obligation under capital lease</b>	8,451,987	6,583,895
	42,128,585	35,036,844
<b>Shareholders' Equity</b>		
Share capital	2,000,593	2,000,594
Unrealized foreign exchange gain	(23,984)	5,734
Retained earnings	6,193,119	8,037,575
	8,169,728	10,043,903
	\$ 50,298,313	\$ 45,080,747

**Hematite Holdings Inc.**

**Combined Statement of Operations and Retained Earnings**  
**(Unaudited - see Notice to Reader)**

For the year ended	March 30, 2019	March 31 2018
Sales	\$74,363,499	\$ 76,975,715
Cost of goods sold	65,777,056	66,410,460
Gross margin	8,586,443	10,565,255
Operating expenses	8,516,071	7,780,849
	70,372	2,784,406
Financing expenses		
Interest	1,640,263	910,684
Bank charges	83,776	92,307
	1,724,039	1,002,991
Income from operations	(1,653,667)	1,781,415
Loss on disposal of property, plant and equipment	-	(5,743)
Income (loss) before income taxes	(1,653,667)	1,775,672
Income taxes	190,789	119,261
Net income (loss)	(1,844,456)	1,656,411
Retained earnings, beginning of the year	8,037,575	6,381,164
Retained earnings, end of the year	\$ 6,193,119	\$ 8,037,575

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**Hematite Holdings Inc.**  
**Note to Combined Financial Statements**  
**(Unaudited - see Notice to Reader)**

**March 30, 2019**

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**1. Basis of Combined Statements**

These combined financial statements include the assets, liabilities and results of operations of Hematite Holdings Inc., Pavaco Plastics Inc., Hematite Manufacturing Inc., Canadian Pavaco Inc., Pavaco Holdings U.S. Inc., Hematite Automotive Products Inc. and Hematite Inc.

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**2. Due from (to) related parties**

	<u>2019</u>	<u>2018</u>
Hematite Industrial Products Inc.	\$ 184,239	\$ 177,590
1438161 Ontario Inc.	53,561	52,001
1238579 Ontario Inc.	(1,590,641)	(3,172,628)
Hematite RE 1, Inc.	1,686,457	1,528,699
2325373 Ontario Inc.	27,839	(47,213)
2561389 Ontario Inc.	1,677	-
	<u>\$ 363,132</u>	<u>\$ (1,461,551)</u>

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This is **Exhibit “J”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

**Hematite Manufacturing Inc.**  
**Financial Statements**  
**For the Year Ended March 30, 2019**

**Hematite Manufacturing Inc.**  
**For the Year Ended March 30, 2019**

---

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Toll-free: 877 236 4835  
www.bdo.ca

BDO Canada LLP  
512 Woolwich Street  
Guelph ON N1H 3X7 Canada

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## Independent Auditor's Report

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To the shareholder of Hematite Manufacturing Inc.

### Opinion

We have audited the financial statements of Hematite Manufacturing Inc. (the company), which comprise the balance sheet as at March 30, 2019, and the statements of operations and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at March 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario  
July 17, 2019

## Hematite Manufacturing Inc. Balance Sheet

	March 30 2019	March 31 2018
<b>Assets</b>		
<b>Current</b>		
Accounts receivable (Note 2)	\$ 6,472,064	\$ 7,075,796
Inventories (Note 4)	2,445,571	2,071,938
Prepaid expenses	69,530	946,659
Investment tax credit receivable (Note 5)	412,291	453,454
	9,399,456	10,547,847
Long term investment tax credit receivable (Note 5)	497,548	284,656
Property, plant and equipment (Note 6)	16,010,815	12,877,851
Due from related parties (Note 11)	31,459	645,893
	\$ 25,939,278	\$ 24,356,247
<b>Liabilities and Shareholder's Equity</b>		
<b>Current</b>		
Bank indebtedness (Note 7)	\$ 3,358,886	\$ 4,653,537
Accounts payable and accrued liabilities (Note 11)	5,831,629	4,488,318
Current portion of long-term debt (Note 8)	453,583	286,475
Current portion of obligation under capital lease (Note 9)	1,841,685	1,970,767
	11,485,783	11,399,097
Long-term debt (Note 8)	2,830,554	3,274,229
Obligations under capital lease (Note 9)	4,107,660	1,988,144
Due to related parties (Note 11)	104,627	47,213
	18,528,624	16,708,683
<b>Shareholder's Equity</b>		
Common shares (Note 10)	1	1
Special shares (redeemable at \$526,840) (Note 10)	526,840	526,840
Retained earnings	6,883,813	7,120,723
	7,410,654	7,647,564
	\$ 25,939,278	\$ 24,356,247

The accompanying notes are an integral part of these financial statements.

## Hematite Manufacturing Inc. Statement of Operations and Retained Earnings

For the year ended	March 30 2019	March 31 2018
Sales	\$ 35,294,408	\$ 36,006,694
Cost of goods sales (Notes 4 and 11)	<u>30,915,600</u>	<u>29,797,260</u>
Gross profit	4,378,808	6,209,434
Operating expenses (Note 11)	<u>3,702,340</u>	<u>3,172,749</u>
Income before financing expenses	<u>676,468</u>	<u>3,036,685</u>
Financing expenses		
Interest on long-term liabilities (Note 9)	883,575	646,139
Bank charges	<u>29,803</u>	<u>8,999</u>
	<u>913,378</u>	<u>655,138</u>
Net income (loss)	(236,910)	2,381,547
Retained earnings, beginning of the year	<u>7,120,723</u>	<u>4,739,176</u>
Retained earnings, end of the year	<u>\$ 6,883,813</u>	<u>\$ 7,120,723</u>

The accompanying notes are an integral part of these financial statements.

## Hematite Manufacturing Inc. Statement of Cash Flows

For the year ended	March 30 2019	March 31 2018
<b>Cash flows from operating activities</b>		
Net income	\$ (236,910)	\$ 2,381,547
Items not affecting cash:		
Amortization of property, plant and equipment	2,174,393	1,896,779
Amortization of financing fees	15,035	23,890
	1,952,518	4,302,216
Changes in non-cash working capital:		
Accounts receivable	603,732	(1,466,597)
Inventories	(373,633)	(185,142)
Prepaid expenses	877,129	(875,163)
Investment tax credit receivable	(171,729)	(7,423)
Accounts payable and accrued liabilities	1,343,311	866,074
	4,231,328	2,633,965
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(752,485)	(1,128,787)
Advances to related parties	(31,459)	-
Government grant receivable	-	300,000
	(783,944)	(828,787)
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(291,602)	(1,440,968)
Advances of long-term debt	-	3,000,000
Financing fees paid	-	(30,000)
Increase (decrease) in bank indebtedness	(1,294,651)	(168,404)
Advances from related parties	750,520	67,691
Repayments to related parties	(47,214)	(760,587)
Repayment of capital lease obligation	(2,564,437)	(2,472,910)
	(3,447,384)	(1,805,178)
<b>Change in cash position</b>	-	-
<b>Cash position, beginning of the year</b>	-	-
<b>Cash position, end of the year</b>	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

---

# Hematite Manufacturing Inc.

## Notes to Financial Statements

March 30, 2019

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### 1. Significant Accounting Policies

<b>Nature of Business</b>	Hematite Manufacturing Inc. (the "company") was incorporated under the Canadian Business Corporations Act and is engaged in the manufacturing of automobile components.										
<b>Basis of Accounting</b>	The financial statements have been prepared using Canadian accounting standards for private enterprises.										
<b>Revenue Recognition</b>	<p>Revenue from sales is recognized when the significant risks and rewards of ownership are transferred to the customer and there are no significant obligations remaining, which generally coincides with the time of delivery, collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.</p> <p>Revenue from tooling contracts is recognized on completion of production part approval process which is when work is substantially complete and payment is due.</p>										
<b>Income Taxes</b>	The company follows the income taxes payable method of accounting for income taxes.										
<b>Inventories</b>	Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Included in the cost of work in process and finished goods are direct product costs, direct labour and an allocation of variable and fixed manufacturing overhead including amortization.										
<b>Property, Plant and Equipment</b>	<p>Property, plant, equipment, and leaseholds are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives as follows for the major classes of assets:</p> <table><tr><td>Manufacturing equipment</td><td>10 years</td></tr><tr><td>Manufacturing equipment under capital lease</td><td>10 years</td></tr><tr><td>Office furniture and equipment</td><td>2-10 years</td></tr><tr><td>Leasehold improvements</td><td>10 years</td></tr><tr><td>Vehicles</td><td>5 years</td></tr></table> <p>Amortization is calculated based on the month that the asset is acquired.</p>	Manufacturing equipment	10 years	Manufacturing equipment under capital lease	10 years	Office furniture and equipment	2-10 years	Leasehold improvements	10 years	Vehicles	5 years
Manufacturing equipment	10 years										
Manufacturing equipment under capital lease	10 years										
Office furniture and equipment	2-10 years										
Leasehold improvements	10 years										
Vehicles	5 years										
<b>Fiscal Year-end</b>	The company's financial year end is set as the last Saturday of March each year. The year end for the current year is March 30, and year end for prior year was March 31.										

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## Hematite Manufacturing Inc. Notes to Financial Statements

March 30, 2019

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### 1. Significant Accounting Policies (continued)

<b>Research and Development</b>	Research expenditures are expensed as incurred. Development expenditures are expensed as incurred unless they meet generally accepted accounting criteria for deferral and amortization. Investment tax credits are applied to reduce related research and development expenditures in the year qualifying expenditures are incurred provided that there is reasonable assurance that the credits will be realized.
<b>Foreign Currency Translation</b>	Foreign currency accounts are translated to Canadian dollars using the temporal method.
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

---

### 2. Accounts Receivable

The company is exposed to concentration of credit risk related primarily to accounts receivable from companies that operate in the same industry. The company works to mitigate credit risk on its receivables through diversification of its customer base and limiting its exposure to any one customer. This risk has not changed from the prior year.

Included in accounts receivable is \$483,823 (2018 - \$NIL) due from related parties.

---

### 3. Foreign Exchange

The company undertakes transactions denominated in U.S. dollars and as such is exposed to price risk due to fluctuations in foreign exchange rates. Bank indebtedness includes \$1,839,221 (2018 - \$4,346,817), accounts receivable includes \$2,841,800 (2018 - \$1,297,045) and accounts payable includes \$4,326,210 (2018 - \$3,925,096) and obligations under capital lease includes \$815,601 (2018 - 367,882). All amounts are reflected in Canadian currency.

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## Hematite Manufacturing Inc. Notes to Financial Statements

March 30, 2019

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### 4. Inventories

	<u>2019</u>	<u>2018</u>
Raw materials	\$ 1,707,553	\$ 1,457,844
Finished goods	<u>738,018</u>	<u>614,094</u>
	<u>\$ 2,445,571</u>	<u>\$ 2,071,938</u>

The cost of goods sold during the year consists of the following:

	<u>2019</u>	<u>2018</u>
Raw materials and consumables used	\$ 18,931,889	\$ 19,107,765
Labour costs	<u>5,914,659</u>	<u>5,291,800</u>
Other	<u>6,069,052</u>	<u>5,397,695</u>
	<u>\$ 30,915,600</u>	<u>\$ 29,797,260</u>

---

### 5. Investment Tax Credits Receivable

Research and development grants are cash payments and credits against taxes payable received or receivable from the federal and provincial government as an incentive to conduct research and development in Canada. This amount represents management's best estimate of grants based on its interpretation of current legislation. However, the Canada Revenue Agency has not yet assessed some of these claims and therefore the amount ultimately received in the near term could be materially different than the amount recorded. The investment tax credit receivable consists of the claim filed for the current fiscal year.

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**Hematite Manufacturing Inc.**  
**Notes to Financial Statements**

**March 30, 2019**

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**6. Property, Plant and Equipment**

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Manufacturing equipment	\$ 12,860,803	\$ 6,239,602	\$ 6,293,543	\$ 2,559,842
Manufacturing equipment under capital lease	11,021,058	2,087,361	12,326,939	3,693,515
Office furniture and equipment	368,987	209,103	358,998	160,032
Leasehold improvements	462,152	195,721	426,165	155,107
Vehicles	55,503	25,901	55,503	14,801
	<b>\$ 24,768,503</b>	<b>\$ 8,757,688</b>	<b>\$ 19,461,148</b>	<b>\$ 6,583,297</b>
		<b>\$ 16,010,815</b>		<b>\$ 12,877,851</b>

Amortization expense of \$2,114,221 (2018 - \$1,836,538) is included in cost of goods sold, \$60,172 (2018 - \$60,242) is included in operating expenses.

During the year, property, plant, and equipment were acquired at an aggregate cost of \$5,307,356 (2018 - \$1,522,739). Of this total, \$4,554,871 (2018 - \$392,952) was acquired by means of a capital lease with the remaining \$752,485 (2018 - \$1,128,787) paid in cash.

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## Hematite Manufacturing Inc. Notes to Financial Statements

March 30, 2019

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### 7. Bank indebtedness

The company as well as Pavaco Plastics Inc., Hematite Inc., Hematite Industrial Products Inc., 1238579 Ontario Inc., and 2325373 Ontario Inc., have a combined authorized operating loan of \$7,500,000 (2018 - \$7,500,000) of which \$6,509,074 (2018 - \$6,662,842) was utilized at year end. The loan bears interest at rates ranging from prime plus 0.75% to prime plus 1.75% based on funded debt to earnings before interest, taxes, depreciation and amortization. Availability is restricted to 80% of accounts receivable net of receivables over 90 days, 30% of raw materials less 30 day payables on raw materials to a maximum of \$1,250,000 and up to \$1,000,000 in an offsetting US account.

The agreement includes an operating loan of \$1,500,000 (2018 - \$1,500,000) in US funds made available to Hematite Inc., of which \$1,256,160 (2018 - \$980,000) was utilized at year end.

The operating loan is secured by a general security agreement on all assets of the company, Pavaco Plastics Inc., 1238759 Ontario Inc., Silicone Rubber Canada Ltd., and 2325373 Ontario Inc. Unlimited guarantees from all of the companies and a \$2,500,000 guarantee from one of the shareholders of the parent company.

The agreement governing the operating loan facility contains certain covenants tested quarterly regarding (i) combined funded debt to earnings before interest, taxes, depreciation and amortization (ii) combined debt service coverage. The company is not in compliance with the debt service covenant at year end.

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated with financial liabilities. The company is exposed to this risk through bank indebtedness, accounts payable and accrued liabilities, long-term debt (Note 8), obligations under capital lease (Note 9) and commitments (Note 12). This risk has not changed from the prior year.

The company is exposed to interest rate risk through its due to related parties (Note 11), bank indebtedness, long-term debt (Note 8), and obligations under capital lease (Note 9). The company holds bank indebtedness and long-term debt with variable rates which creates variability in cash flows and net income as interest rates change. This risk has not changed from the prior year.

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## Hematite Manufacturing Inc. Notes to Financial Statements

March 30, 2019

### 8. Long-term Debt

	2019	2018
Economic Development Agency for Southern Ontario, non-interest bearing, repayable in monthly principal payments of \$7,728. Repaid in December 2018.	\$ -	\$ 61,816
Enterprise Brant term loan - Interest at prime plus 2%, term expires March 2024, repayable in monthly blended payments of \$5,305.	284,036	332,831
BDC Capital Loan - Interest at BDC base rate plus 4.5%, repayable in monthly principal payments of \$27,108 plus interest, with a final principal payment of \$750,036 in January 2026.	2,945,784	3,000,000
Southern Ontario Fund for Innovation & Investment loan Interest at 12%, repayable in monthly blended payments of \$11,122, term expiring September 2019.	65,103	184,209
RBC Vehicle Loan - Non interest bearing, repayable in monthly payments of \$639, balance due June 2022.	17,253	24,922
	3,312,176	3,603,778
Unamortized financing fees and transaction costs	(28,039)	(43,074)
	3,284,137	3,560,704
Current portion	453,583	286,475
	\$ 2,830,554	\$ 3,274,229

Principal repayments on long-term debt over the next five years are as follows:

2020	\$	453,583
2021		386,879
2022		383,886
2023		381,969
2024		386,557
Thereafter		1,319,302
		\$ 3,312,176

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## Hematite Manufacturing Inc. Notes to Financial Statements

**March 30, 2019**

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### 8. Long-term Debt (continued)

The Enterprise Brant term loan is secured by a second mortgage on all properties associated with the company, a third position general security agreement on business assets including equipment, inventory and accounts receivable and a personal guarantee and postponement of claim by John Pavanel. The loan contains certain covenants related to the payment of dividends and sale of assets.

The BDC Capital loan was lent to Pavaco Plastics Inc., the parent company on behalf of Hematite Manufacturing Inc. The loan is secured by an unlimited guarantee by, Pavaco Plastics Inc, 1238759 Ontario Inc., Hematite Industrial Products Inc., 2325373 Ontario Inc., Canadian Pavaco Inc., Pavaco Holding US Inc., Hematite Automotive Products Inc., 1438161 Ontario Inc., 2561389 Ontario Inc., Hematite Inc. and Hematite R.E.1 Inc. Security includes a general security agreement from all the guarantors. Prepayment up to \$220,000 is required based on excess funds available. As of March 31, 2019 no excess funds were available and no prepayment was required.

The Southern Ontario Fund for Innovation & Investment loan is secured by a 4th priority on assets, a guarantee by Pavaco Plastics Inc. and a personal guarantee of the shareholder of Pavaco Plastics Inc. The loan contains the same covenants as the bank agreement for the operating loan as outlined in Note 7.

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## Hematite Manufacturing Inc. Notes to Financial Statements

**March 30, 2019**

### 9. Obligations Under Capital Leases

	<u>2019</u>	<u>2018</u>
Various obligations under capital lease with interest rates ranging from 3.15% to 9.971% per annum, repayable in blended monthly payments. Repaid in full during the year.	\$ -	\$ 916,686
Obligation under a capital lease - 7.371%, due June 2020, repayable \$300 principal and interest monthly.	4,286	7,443
Obligation under a capital lease - 9.94%, due December 2021, repayable \$774 principal and interest monthly.	22,261	38,655
Obligation under a capital lease - 5.10%, due November 2019, repayable \$32,115 principal and interest monthly.	250,497	610,647
Obligation under a capital lease - 8.36%, due October 2019, repayable \$7,723 U.S. dollar principal and interest monthly.	70,271	191,088
Obligation under a capital lease - 8.36%, due November 2019, repayable \$2,166 U.S. dollar principal and interest monthly.	22,451	56,185
Obligation under a capital lease - 6.64%, due July 2020, repayable \$700 principal and interest monthly.	14,192	21,388
Obligation under a capital lease - 7.77%, due May 2020, repayable \$4,224 principal and interest monthly.	52,729	97,417
Obligation under a capital lease - 5.01%, due November 2020, repayable \$41,667 principal and interest monthly.	759,771	1,217,849
Obligation under a capital lease - 4.40%, due April 2022, repayable \$2,930 principal and interest monthly.	69,864	101,193
Obligation under a capital lease - 4.16%, due November 2020, repayable \$3,147 principal and interest monthly.	60,932	95,375
Obligation under a capital lease - 5.13%, due December 2020, repayable \$296 principal and interest monthly.	5,924	9,078
Obligation under a capital lease - 4.95%, due November 2020, repayable \$2,029 principal and interest monthly.	37,190	59,105
Obligation under a capital lease - 4.81%, due March 2020, repayable \$5,210 principal and interest monthly.	60,921	118,987

## Hematite Manufacturing Inc. Notes to Financial Statements

**March 30, 2019**

### 9. Obligations Under Capital Leases (continued)

Obligation under a capital lease - 4.13%, due April 2021, repayable \$2,282 principal and interest monthly.	<b>28,960</b>	54,567
Obligation under a capital lease - 7.08%, due September 2022, repayable \$2,142 principal and interest monthly.	<b>77,831</b>	97,278
Obligation under a capital lease - 5.42%, due January 2023, repayable \$2,288 U.S. dollar principal and interest monthly.	<b>124,445</b>	148,133
Obligation under a capital lease - 4.32%, due March 2023, repayable \$2,156 principal and interest monthly.	<b>108,757</b>	117,837
Obligation under a capital lease - 4.995%, due July 2023, repayable \$9,761 U.S. dollar principal and interest monthly.	<b>598,434</b>	-
Obligation under a capital lease - 7.293%, due January 2024, repayable \$9,471 principal and interest monthly.	<b>457,089</b>	-
Obligation under a capital lease - 7.85%, due February 2023, repayable \$3,330 principal and interest monthly.	<b>162,570</b>	-
Obligation under a capital lease - 4.33%, due March 2025, repayable \$13,330 principal and interest monthly.	<b>843,930</b>	-
Obligation under a capital lease - 4.33%, due March 2025, repayable \$30,456 principal and interest monthly.	<b>1,928,112</b>	-
Obligation under a capital lease - 5.34%, due April 2023, repayable \$4,353 principal and interest monthly.	<b>187,928</b>	-
	<b>5,949,345</b>	3,958,911
Current portion	<b>1,841,685</b>	1,970,767
Long-term portion of obligations	<b>\$ 4,107,660</b>	<b>\$ 1,988,144</b>

Interest expense for the year related to capital leases is \$309,192 (2018 - \$427,100).

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**Hematite Manufacturing Inc.**  
**Notes to Financial Statements**

**March 30, 2019**

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**9. Obligations Under Capital Leases (continued)**

Future minimum lease payments under the capital leases for subsequent years are as follows:

2020	\$ 2,093,994
2021	1,372,809
2022	990,298
2023	959,733
Thereafter	<u>1,212,984</u>
	6,629,818
Less: imputed interest	<u>(680,473)</u>
	<u>\$ 5,949,345</u>

Two of the leases contain covenants related to minimum debt service coverage and minimum tangible equity. The company is not in compliance with the covenants.

All leases are secured by the leased assets.

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**10. Share Capital**

Authorized:

Unlimited Class A special preference shares, non-voting, redeemable and retractable at fair value of consideration received, non-cumulative annual dividend entitlement at the discretion of the directors;

Unlimited Common shares

Issued and outstanding shares:

	<u>2019</u>	<u>2018</u>
100 Common shares	<u>\$ 1</u>	<u>\$ 1</u>
1,000 Class A preferred shares - redeemable at paid up amount	<u>\$ 526,840</u>	<u>\$ 526,840</u>

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## Hematite Manufacturing Inc. Notes to Financial Statements

**March 30, 2019**

### 11. Related Party Transactions

The following table summarizes the company's related party transactions for the year:

	2019	2018
<b>Included in Cost of Goods Sold</b>		
Rent paid to 2325373 Ontario Inc., a company owned by the shareholder of the parent company	\$ 570,000	\$ 570,000
<b>Included in Operating expenses</b>		
Sales commissions paid to Hematite Automotive Products Inc. (common control)	512,580	518,187
Management fee (net) paid to (received from) Pavaco Plastics Inc., parent company	(214,255)	207,376
Management received from Hematite Inc., a company owned by shareholder of the parent company	(232,647)	-

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management fees are a reimbursement of labour and overhead from the head office.

At the end of the year, the amounts due from related entities are as follows:

	2019	2018
Pavaco Plastics Inc., parent company	\$ -	\$ 645,893
2325373 Ontario Inc., a company owned by the shareholder of the parent company	27,839	-
Hematite Industrial Products Inc., a company owned by the shareholder of the parent company	1,802	-
Hematite Automotive Products Inc. a company owned by the shareholder of the parent company	1,818	-
	\$ 31,459	\$ 645,893

Amounts due from related parties are non-interest bearing and are without specified terms of repayment.



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## Hematite Manufacturing Inc. Notes to Financial Statements

March 30, 2019

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### 11. Related Party Transactions (continued)

At the end of the year, the amounts due to related entities are as follows:

	<u>2019</u>	<u>2018</u>
Pavaco Plastics Inc	\$ 104,627	\$ -
2325373 Ontario Inc.	-	47,213
	<u>\$ 104,627</u>	<u>\$ 47,213</u>

Included in accounts payable and accrued liabilities is \$167,510 due to related parties.

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### 12. Commitments

The company rents vehicles, computers, office and manufacturing equipment under various operating lease agreements which expire on various dates through fiscal 2023. The minimum annual lease payments for the next four years are as follows:

2020	\$ 49,428
2021	4,109
2022	1,859
2023	<u>1,362</u>
	<u>\$ 56,758</u>

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## Hematite Manufacturing Inc. Notes to Financial Statements

**March 30, 2019**

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### 13. Income Taxes

The company accounts for income taxes using the taxes payable method. As a result, the company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	<u>2019</u>	<u>2018</u>
Income before income taxes	\$ (236,910)	\$ 2,381,547
Combined basic federal and provincial tax rates	<u>26.50 %</u>	<u>26.50 %</u>
Expected income tax expense	\$ (62,781)	\$ 631,110
Increase (decrease) in income tax expense resulting from:		
Non-taxable income or non-deductible expenses	2,849	3,120
Amortization in excess of capital cost allowance	190,162	272,779
Income from Scientific Research and Development	(88,065)	(256,137)
Capital leases and other	(679,576)	(659,517)
Losses carried forward	<u>637,411</u>	<u>8,645</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

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### 14. Guarantees

The company has guaranteed loans made available to Hematite Inc. (a company related by common control). The amount outstanding under this facility as at March 30, 2019 amounted to \$3,154,116 in U.S. dollars (2018 - \$220,364) and a capital lease obligation which as of March 30, 2019 amounted to \$3,442,295 (2018 - 3,949,832).

The company has guaranteed a loan made available to Hematite R.E. 1, Inc. (a company related by common control). The amount outstanding under this facility as at March 30, 2019 amounted to \$7,537,842 in U.S. dollars (2018 - \$6,524,420).

Management believes that these guarantees will not have any significant unfavourable impact on its financial position and consequently, no provision has been made in the financial statements.

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### 15. Economic Dependence

The majority of the sales are to one customer in the current year.

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### 16. Comparative Figures

The comparative amounts presented in the financial statements have been reclassified to conform with the current year's presentation.

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This is **Exhibit “K”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020



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A Commissioner for taking affidavits

**Pavaco Plastics Inc.**  
**Non-consolidated Financial**  
**Statements**  
**For the Year Ended March 30, 2019**

**Pavaco Plastics Inc.**  
**Non-consolidated Financial Statements**  
**For the Year Ended March 30, 2019**

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BDO Canada LLP  
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Guelph ON N1H 3X7 Canada

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## Independent Auditor's Report

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To the shareholders of Pavaco Plastics Inc.

### Opinion

We have audited the non-consolidated financial statements of Pavaco Plastics Inc. (the company), which comprise the non-consolidated balance sheet as at March 30, 2019, and the non-consolidated statements of operations and retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario  
July 17, 2019

**Pavaco Plastics Inc.**  
**Non-consolidated Balance Sheet**

	March 30 2019	(restated) March 31 2018
		(Note 2)
<b>Assets</b>		
<b>Current</b>		
Accounts receivable (Note 3)	\$ 5,082,243	\$ 6,824,687
Inventories (Note 4)	1,350,746	1,409,358
Prepaid expenses	207,102	206,465
Investment tax credits receivable (Note 5)	325,130	406,861
Note receivable (Note 6)	-	1,500,000
	6,965,221	10,347,371
Long-term investments (Note 7)	627,221	611,653
Due from shareholders (Note 8)	526,504	265,919
Due from related parties (Note 8)	5,256,655	2,678,785
Property, plant and equipment (Note 9)	1,519,607	1,824,133
Long term income tax credits receivable	315,299	362,462
	\$ 15,210,507	\$ 16,090,323
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Bank indebtedness (Note 10)	\$ 5,072,874	\$ 2,008,198
Accounts payable and accrued liabilities (Note 8)	4,477,678	6,278,249
Income taxes payable	91,332	117,111
Current portion of long-term debt	1,157	8,167
Current portion of obligation under capital lease	88,745	76,540
	9,731,786	8,488,265
Obligation under capital lease	196,830	157,256
Due to related parties (Note 8)	1,590,641	3,818,382
	11,519,257	12,463,903
<b>Shareholders' Equity</b>		
Special shares (Note 11) (redeemable at \$1)	1	1
Common shares (Note 11)	3	3
Retained earnings	3,691,246	3,626,416
	3,691,250	3,626,420
	\$ 15,210,507	\$ 16,090,323

The accompanying notes are an integral part of these non-consolidated financial statements.



**Pavaco Plastics Inc.**

**Non-consolidated Statement of Operations and Retained Earnings**

<b>For the year ended</b>	<b>March 30 2019</b>	<b>(restated) March 31 2018</b>
		(Note 2)
<b>Sales</b>	<b>\$ 29,470,020</b>	<b>\$ 37,337,229</b>
<b>Cost of goods sold (Notes 4 and 8)</b>	<b>25,541,219</b>	<b>33,568,617</b>
<b>Gross margin</b>	<b>3,928,801</b>	<b>3,768,612</b>
<b>Operating expenses (Note 8)</b>	<b>3,499,122</b>	<b>4,025,193</b>
	<b>429,679</b>	<b>(256,581)</b>
<b>Financial expenses</b>		
Interest	141,972	95,837
Bank charges	32,088	77,887
	<b>174,060</b>	<b>173,724</b>
<b>Loss from operations</b>	<b>255,619</b>	<b>(430,305)</b>
<b>Loss on disposal of property, plant and equipment</b>	<b>-</b>	<b>(5,743)</b>
<b>Income (loss) before income taxes</b>	<b>255,619</b>	<b>(436,048)</b>
<b>Income taxes - current (Note 12)</b>	<b>190,789</b>	<b>119,261</b>
<b>Net income (loss)</b>	<b>64,830</b>	<b>(555,309)</b>
<b>Retained earnings, beginning of year</b>	<b>3,626,416</b>	<b>4,081,725</b>
<b>Prior period adjustment (Note 2)</b>	<b>-</b>	<b>100,000</b>
<b>Retained earnings, beginning of year restated</b>	<b>3,626,416</b>	<b>4,181,725</b>
<b>Retained earnings, end of the year</b>	<b>\$ 3,691,246</b>	<b>\$ 3,626,416</b>

The accompanying notes are an integral part of these non-consolidated financial statements.

**Pavaco Plastics Inc.**  
**Non-consolidated Statement of Cash Flows**

<b>For the year ended</b>	<b>March 30 2019</b>	<b>March 31 2018</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 64,830	\$ (555,309)
Items not affecting cash:		
Amortization of property, plant and equipment	488,714	637,364
Loss on disposal of property, plant and equipment	-	5,743
	<u>553,544</u>	<u>87,798</u>
Changes in non-cash working capital:		
Accounts receivable	1,742,444	(481,420)
Inventories	58,612	306,770
Prepaid expenses	(637)	(66,712)
Accounts payable and accrued liabilities	(1,800,573)	(877,233)
Income taxes payable	(25,779)	117,111
Investment tax credits receivable	128,894	36,542
	<u>656,505</u>	<u>(877,144)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(15,568)	(12,147)
Acquisition of property, plant and equipment	(41,143)	(116,587)
Repayments from (advances to) related parties	(2,577,870)	(618,953)
Proceeds on disposal of property, plant and equipment	-	17,504
Advances to shareholders	(260,585)	(115,998)
	<u>(2,895,166)</u>	<u>(846,181)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(7,010)	(251,558)
Repayment of capital lease obligations	(91,264)	(68,297)
Increase in bank indebtedness	3,064,676	1,457,247
Repayments from (advances to) related parties	(727,741)	585,933
	<u>2,238,661</u>	<u>1,723,325</u>
<b>Net change in cash</b>	-	-
<b>Cash, beginning of the year</b>	-	-
<b>Cash, end of the year</b>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**1. Significant Accounting Policies**

**Nature of Business** Pavaco Plastics Inc. (the "company") is incorporated under the Canada Business Corporations Act and is engaged in the manufacturing of automobile components.

**Basis of Accounting** These non-consolidated financial statements have been prepared using Canadian accounting standards for private enterprises.

**Fiscal Year-end** The company's fiscal year ends on the last Saturday in March. Unless otherwise stated, reference to years in this report relate to the fiscal years below:

<u>Fiscal year</u>	<u>Year Ended</u>
2019	March 30, 2019
2018	March 31, 2018

**Inventories** Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Included in the cost of work in process and finished goods are direct product costs, direct labour and an allocation of variable and fixed manufacturing overhead including amortization.

**Research and Development** Research expenditures are expensed as incurred. Development expenditures are expensed as incurred unless they meet generally accepted accounting criteria for deferral and amortization. Investment tax credits are applied to reduce related research and development expenditures in the year qualifying expenditures are incurred provided that there is reasonable assurance that the credits will be realized.

**Investment in Subsidiaries** The company accounts for its investments in Hematite Manufacturing Inc. using the cost method.

**Property, Plant and Equipment** Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Manufacturing equipment	10 years
Manufacturing equipment under capital lease	10 years
Tooling and returnable bins	4 - 5 years
Office furniture and equipment	2 - 10 years
Vehicles	5 years
Leasehold improvements	10 years

Amortization is calculated based on the month that the asset is acquired.

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**1. Significant Accounting Policies (continued)**

<b>Revenue Recognition</b>	Revenue from sales is recognized when the significant risks and rewards of ownership have been completed and there are no significant obligations remaining, the sales price is fixed and determinable, persuasive evidence of an arrangement exists and collectibility is reasonably assured. This usually occurs at the time of delivery to the customer. Revenue from tooling contracts is recognized on a completed contract basis, recognizing revenue only when a contract is completed or substantially so.
<b>Income Taxes</b>	The company follows the income taxes payable method of accounting for income taxes.
<b>Foreign Currency Translation</b>	Foreign currency accounts are translated to Canadian dollars using the temporal method.
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

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**2. Prior Period Adjustment**

During the current year, the company determined that a \$100,000 dividend recorded as payable in 2011 to The 1994 Pavenal Family Trust, a shareholder at the time, had not been legally declared. As a result, due to shareholders was overstated and retained earnings was understated at the prior year end. The result of this correction to the prior year is as follows:

	<b>As Previously Reported</b>	<b>Adjustment</b>	<b>Restated</b>
Due from shareholders	165,919	100,000	265,919
Retained earnings, opening	(4,081,725)	(100,000)	(4,181,725)
Retained earnings, closing	(3,526,416)	(100,000)	(3,626,416)

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**3. Accounts Receivable**

The company is exposed to concentration of credit risk related primarily to accounts receivable from companies that operate in the auto industry. The company works to mitigate credit risk on its receivables through diversification of its customer base and limiting its exposure to any one customer. This risk has not changed from the prior year.

Included in accounts receivable is \$421,973 (2018 - \$NIL) due from related parties.

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**4. Inventories**

	<u>2019</u>	<u>2018</u>
Raw materials	\$ 887,615	\$ 945,422
Work in process	147,322	138,775
Finished goods	315,809	325,161
	<u>\$ 1,350,746</u>	<u>\$ 1,409,358</u>

The cost of sales during the year consists of the following:

	<u>2019</u>	<u>2018</u>
Raw materials and consumables used	\$ 19,435,381	\$ 22,634,877
Labour costs	3,111,913	4,148,290
Other costs	2,993,925	6,785,450
	<u>\$ 25,541,219</u>	<u>\$ 33,568,617</u>

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**5. Investment Tax Credits Receivable**

Research and development grants are cash payments and credits against taxes payable received or receivable from the federal and provincial government as an incentive to conduct research and development in Canada. This amount represents management's best estimate of grants based on its interpretation of current legislation. However, Canada Revenue Agency has not yet assessed some of these claims and therefore the amount ultimately received in the near term could be materially different than the amount recorded. The investment tax credit receivable consists of the claim filed for the current fiscal year.

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**6. Note Receivable**

The note receivable was assigned to 1238579 Ontario Inc. in the current year.

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**7. Long-term Investments**

	<u>2019</u>	<u>2018</u>
Hematite Manufacturing Inc. (previously Pavaco Products Inc.) - 100% ownership	\$ 510,441	\$ 510,441
Plane - at cost	<u>116,780</u>	<u>101,212</u>
	<u>\$ 627,221</u>	<u>\$ 611,653</u>

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## Pavaco Plastics Inc.

### Notes to Non-consolidated Financial Statements

**March 30, 2019**

#### 8. Related Party Transactions

The following table summarizes the company's related party transactions for the year:

	2019	2018
<b>Included in Cost of goods sold</b>		
Rent paid to 1238579 Ontario Inc. (common control)	\$ 389,616	\$ 387,120
<b>Included in Operating expenses</b>		
Sales commissions paid to Hematite Automotive Products Inc. (common control)	237,250	406,813
Management fee (net) paid to (received from) to Hematite Manufacturing Inc. (subsidiary)	214,255	(207,376)
Management fee received from 1238579 Ontario Inc.	(150,000)	(150,000)
Management fee received from Hematite Inc. (Ohio) (common control)	(147,966)	(178,475)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management fees are a reimbursement of labour and overhead from the head office.

At the end of the year, the amounts due from related entities are as follows:

	2019	2018
Hematite Industrial Products Inc. (common control)	\$ 182,437	\$ 177,590
Canadian Pavaco Inc. (common control)	4,906,250	2,180,561
Hematite Manufacturing Inc.	104,626	-
1438161 Ontario Inc. (common control)	53,561	52,001
Hematite Inc. (Ohio)	-	267,743
2561389 Ontario Inc. (common control)	1,677	-
Hematite Holdings Inc. (parent)	8,104	890
	\$ 5,256,655	\$ 2,678,785

Amounts due from related parties are non-interest bearing and are without specified terms of repayment.

**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

**8. Related Party Transactions (continued)**

At the end of the year, the amounts due to related entities are as follows:

	2019	2018
1238579 Ontario Inc. Term loan at Business Development Bank of Canada's prime rate minus 1%, maturing December 2030 repayable in monthly principal payments of \$9,611 plus interest.	\$ 1,393,645	\$ 1,508,981
1238579 Ontario Inc. loan bearing interest at 3.5% with no specified terms of repayment	196,996	1,663,647
Hematite Manufacturing Inc. loan is interest free without specified terms of repayment. Repaid during the year.		645,754
	\$ 1,590,641	\$ 3,818,382

Scheduled principal repayments on amounts due to related parties are as follows:

2020	\$	115,332
2021		115,332
2022		115,332
2023		115,332
2024		115,332
Thereafter		816,985
	\$	1,393,645

Included in accounts payable and accrued liabilities is \$186,377 (2018 - \$NIL) due to related parties.

At the end of the year the amounts due from (to) shareholders are as follows:

	2019	(restated) 2018 (Note 2)
Amount due to a shareholder of the parent company bearing interest at prime plus 0.25% with no specific terms of repayment	\$ (80,022)	\$ (75,901)
Amount due from Jaymar Ventures Inc., the shareholder of the parent company, bearing interest at 4.0% with no specific terms of repayment	606,526	341,820
	\$ 526,504	\$ 265,919

The shareholders have waived the right to demand repayment during the 2020 fiscal year and accordingly, the amounts have been classified as long-term.



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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**9. Property, Plant and Equipment**

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Manufacturing equipment	\$ 12,694,260	\$ 12,117,282	\$ 12,747,918	\$ 11,852,885
Tooling and returnable bins	2,145,900	2,058,989	2,145,900	2,000,675
Manufacturing equipment under capital lease	722,858	282,126	491,504	224,956
Office furniture and equipment	1,932,163	1,848,701	1,921,383	1,814,015
Vehicles	409,952	362,776	409,952	336,143
Leasehold improvements	585,487	301,139	589,779	253,629
	<b>\$ 18,490,620</b>	<b>\$ 16,971,013</b>	<b>\$ 18,306,436</b>	<b>\$ 16,482,303</b>
		<b>\$ 1,519,607</b>		<b>\$ 1,824,133</b>

Amortization expense of \$427,444 (2018 - \$555,312) is included in cost of goods sold and \$61,270 (2018 - \$82,052) is included in operating expenses.

During the year, property, plant and equipment were acquired at an aggregate cost of \$184,186 (2018 - \$250,437). Of this total, \$143,043 (2018 - \$223,311) was acquired by means of a capital lease with the remaining \$41,143 (2018 - \$27,126) paid in cash.

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**10. Bank Indebtedness**

The company as well as Hematite Manufacturing Inc., Hematite Inc., Hematite Industrial Products Inc., 1238579 Ontario Inc., and 2325373 Ontario Inc., have a combined authorized operating loan of \$7,500,000 (2018 - \$7,500,000) of which \$6,509,074 (2018 - \$6,662,842) was utilized at year end. The loan bears interest at rates ranging from prime plus 0.75% to prime plus 1.75% based on funded debt to earnings before interest, taxes, depreciation and amortization. Availability is restricted to 80% of accounts receivable net of receivables over 90 days, 30% of raw materials less 30 day payables on raw materials to a maximum of \$1,250,000 and up to \$1,000,000 in an offsetting US account.

The agreement includes an operating loan of \$1,500,000 (2018 - \$1,500,000) in US funds made available to Hematite Inc., of which \$1,256,160 (2018 - \$980,000) was utilized at year end.

The operating loan is secured by a general security agreement on all assets of the company, Hematite Manufacturing Inc., Hematite Inc., 1238759 Ontario Inc., Hematite Industrial Products Inc., and 2325373 Ontario Inc. Unlimited guarantees from all the companies and \$2,500,000 guarantee from one of the shareholders of the parent company.

The agreement governing the operating loan facility contains certain covenants tested quarterly regarding (i) combined funded debt to earnings before interest, taxes, depreciation and amortization and (ii) combined debt service coverage. The company is not in compliance with the debt service coverage covenant at year end.

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated with financial liabilities. The company is exposed to this risk through bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligation under capital lease, commitments (Note 13) and guarantees (Note 14). This risk has not changed from the prior year.

The company is exposed to interest rate risk through its due to related parties (Note 8), bank indebtedness, long-term debt, and obligations under capital lease. The company holds bank indebtedness and long-term debt with variable rates which creates variability in cash flows and net income as interest rates change. This risk has not changed from the prior year.

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**11. Share Capital**

Authorized:

Unlimited    Class F special preference shares, voting, redeemable and retractable at \$0.001 per share;

Unlimited    Common shares.

Issued and outstanding shares:

	2019	2018
1,000 Class F shares - redeemable at \$1	\$            1	\$            1
10,000 Common shares	\$            3	\$            3

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**12. Income Taxes**

The company accounts for income taxes using the taxes payable method. As a result, the company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2019	2018
Income before income taxes	\$    255,619	\$    (436,048)
Combined basic federal and provincial tax rates	26.50 %	26.50 %
Expected income tax expense	\$    67,739	\$    (115,553)
Change in income tax expense resulting from:		
Non-taxable income or non-deductible expenses	35,698	64,778
Non-taxable capital gain on sale of property, plant and equipment	-	1,522
SR&ED differences for income taxes and accounting purposes	40,918	11,149
Capital cost allowance in excess of amortization	70,619	90,801
Capital leases and other	(24,185)	(20,351)
Prior year reassessments	-	86,915
Income tax expense	\$    190,789	\$    119,261

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**13. Commitments**

The company rents vehicles, computers, and office and manufacturing equipment under various operating lease agreements which expire on various dates through to fiscal 2024. The minimum annual lease payments for the next five years are as follows:

2020	\$	138,109
2021		97,425
2022		62,077
2023		10,038
2024		8,169
		<hr/>
	\$	<u>315,818</u>

The company rents land and buildings from 1238579 Ontario Inc, a commonly controlled entity. The lease agreement expired in June 2012 and no new formal lease agreement has been entered into.

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**14. Guarantees**

The company has endorsed a loan made to their subsidiary, Hematite Manufacturing Inc., which as of March 30, 2019, amounted to \$3,010,887 (2018 - \$3,246,026).

The company has guaranteed loans made to Hematite Inc. (a company related by common control), which as of March 30, 2019, amounted to \$3,154,116 in U.S. dollars (2018 - \$220,364) and a capital lease obligation which as of March 30, 2019 amounted to \$3,442,295 (2018 - \$3,949,832).

The company has guaranteed a loan made to Hematite R.E. 1, Inc. (a company related by common control), which as of March 30, 2019, amounted to \$7,537,842 in U.S. dollars (2018 - \$6,524,420).

The company has provided a General Security Agreement in respect of a term loan made available to 1238579 Ontario Inc. (a company related by common control). The amount outstanding under this facility as at March 30, 2019 amounted to \$2,957,500 (2018 - \$3,167,500).

The company has provided a General Security Agreement in respect of a term loan made available to 2325373 Ontario Inc. (a company related by common control). The amount outstanding under this facility as at March 30, 2019 amounted to \$4,562,130 (2018 - \$4,789,290).

Management believes that these endorsements will not have any significant unfavourable impact on its financial position and consequently, no provision has been made in the financial statements.

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**Pavaco Plastics Inc.**  
**Notes to Non-consolidated Financial Statements**

**March 30, 2019**

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**15. Foreign Exchange**

The company undertakes transactions denominated in U.S. dollars and as such is exposed to price risk due to fluctuations in foreign exchange rates. Bank indebtedness includes \$1,133,784 in cash (2018 - \$3,895,256), accounts receivable includes \$3,313,256 (2018 - \$4,941,699) and accounts payable includes \$3,687,400 (2018 - \$5,095,127) denominated in U.S. dollars.

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**16. Economic Dependence**

The majority of the sales are to one customer in the current year.

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This is **Exhibit “L”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be the name of the Commissioner, written in a cursive style.

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A Commissioner for taking affidavits

**Hematite Inc.**  
**Financial Statements**  
**For the Year Ended March 30, 2019**

**Hematite Inc.**  
**Financial Statements**  
**For the Year Ended March 30, 2019**

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## Independent Auditor's Report

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To the shareholder of Hematite Inc.

### Opinion

We have audited the accompanying financial statements of Hematite Inc. (the company), which comprise the balance sheet as at March 30, 2019, and the statements of operations and retained earnings (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at March 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario  
July 17, 2019

## Hematite Inc. Balance Sheet

Denominated in US Dollars

	March 30, 2019	March 31, 2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ -	\$ 43,833
Accounts receivable (Note 2)	1,927,283	502,556
Inventories (Note 3)	567,059	184,444
Prepaid expenses	75,586	261,151
Deposits (Note 4)	799,500	-
Due from Jobs Ohio (Note 8)	-	418,479
Income tax credit receivable	30,000	-
	3,399,428	1,410,463
Property, plant and equipment (Note 5)	7,913,558	5,109,069
Due from related party (Note 6)	264,235	135,070
Due from shareholder (Note 6)	100	100
	\$ 11,577,321	\$ 6,654,702
<b>Liabilities and Shareholder's Deficiency</b>		
<b>Current</b>		
Bank indebtedness (Note 7)	\$ 1,361,666	\$ 980,000
Accounts payable and accrued liabilities (Note 6)	2,793,191	1,051,451
Income taxes payable	6,053	6,053
Current portion of long-term debt (Note 8)	147,704	-
Current portion of obligations under capital lease (Note 9)	577,511	507,538
	4,886,125	2,545,042
Long-term debt (Note 8)	3,006,412	638,843
Obligations under capital leases (Note 9)	3,103,718	3,442,294
Due to related party (Note 6)	1,803,075	54,044
	12,799,330	6,680,223
<b>Shareholder's Deficiency</b>		
Share capital (Note 10)	100	100
Deficit	(1,222,109)	(25,621)
	(1,222,009)	(25,521)
	\$ 11,577,321	\$ 6,654,702

The accompanying notes are an integral part of these financial statements.

**Hematite Inc.**  
**Statement of Operations and Deficit**  
Denominated in US Dollars

<b>For the year ended</b>	<b>2019</b>	<b>2018</b>
<b>Sales</b>	<b>\$ 7,317,481</b>	<b>\$ 2,829,138</b>
<b>Cost of goods sold (Note 3 and 6)</b>	<b>7,104,923</b>	<b>2,371,706</b>
<b>Gross margin</b>	<b>212,558</b>	<b>457,432</b>
<b>Operating expenses (Note 6)</b>	<b>1,000,129</b>	<b>465,413</b>
<b>Loss before financing expenses</b>	<b>(787,571)</b>	<b>(7,981)</b>
<b>Financing expenses</b>		
Interest on long-term liabilities	392,232	68,602
Bank charges	16,685	4,223
	<b>408,917</b>	<b>72,825</b>
<b>Net loss</b>	<b>(1,196,488)</b>	<b>(80,806)</b>
<b>Retained earnings (deficit), beginning of the year</b>	<b>(25,621)</b>	<b>55,185</b>
<b>Deficit, end of the year</b>	<b>\$ (1,222,109)</b>	<b>\$ (25,621)</b>

The accompanying notes are an integral part of these financial statements.

**Hematite Inc.**  
**Statement of Cash Flows**  
Denominated in US Dollars

For the year ended	March 30, 2019	March 31, 2018
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,196,488)	\$ (80,806)
Amortization of property, plant and equipment	213,730	-
	(982,758)	(80,806)
Changes in non-cash working capital:		
Accounts receivable	(1,424,727)	(502,556)
Inventories	(263,043)	(184,445)
Prepaid expenses	185,562	584,744
Income tax credit receivable	(30,000)	-
Accounts payable and accrued liabilities	1,741,740	1,051,452
Deposits	(799,500)	-
	(1,572,726)	868,389
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(704,449)	(1,019,689)
Advances from related parties	(129,165)	(135,070)
	(833,614)	(1,154,759)
<b>Cash flows from financing activities</b>		
Advances of long-term debt	779,636	220,364
Increase (decrease) in bank indebtedness	(980,000)	980,000
Repayment of long term debt	(12,028)	-
Advances (repayments) to related parties	1,749,031	(738,073)
Repayment of capital lease obligation	(535,798)	(139,548)
	1,000,841	322,743
<b>Net increase (decrease) in cash</b>	<b>(1,405,499)</b>	<b>36,373</b>
Cash, beginning of the year	43,833	7,460
<b>Cash (bank indebtedness), end of the year</b>	<b>\$ (1,361,666)</b>	<b>\$ 43,833</b>

The accompanying notes are an integral part of these financial statements.

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# Hematite Inc.

## Notes to Financial Statements

Denominated in US Dollars

March 30, 2019

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### 1. Significant Accounting Policies

**Nature of Business** Hematite Inc. (the "company") is incorporated in the State of Ohio and is engaged in the manufacturing of automobile components.

**Basis of Accounting** The financial statements have been prepared using Canadian accounting standards for private enterprises.

**Fiscal Year-end** The company's fiscal year ends on the last Saturday in March. Unless otherwise stated, reference to years in this report relate to the fiscal years below:

<u>Fiscal year</u>	<u>Year Ended</u>
2019	March 30, 2019
2018	March 31, 2018

**Inventories** Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Included in the cost of finished goods are direct product costs, direct labour and an allocation of variable and fixed manufacturing overhead including amortization.

**Property, Plant and Equipment** Property, plant and equipment are stated at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Manufacturing equipment	10 years
Manufacturing equipment under capital lease	10 years
Office furniture and equipment	2 - 10 years
Computer hardware	5 years
Computer software	2 years

Amortization is calculated based on the month that the asset is put into full productive use.

**Leases** Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital leases are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets. All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

**Income Taxes** The company uses the income taxes payable method of accounting for income taxes.

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**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

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**1. Significant Accounting Policies (continued)**

<b>Revenue Recognition</b>	Revenue from sales is recognized when the significant risks and rewards of ownership have been completed and there are no significant obligations remaining, the sales price is fixed and determinable, persuasive evidence of an arrangement exists and collectibility is reasonably assured. This usually occurs at the time of shipment. Revenue from tooling contracts is recognized on a completed contract basis, recognizing revenue only when a contract is completed or substantially so.
<b>Research and Development</b>	Research expenditures are expensed as incurred. Development expenditures are expensed as incurred unless they meet the generally accepted accounting criteria for deferral and amortization. Investment tax credits are applied to reduce related research and development expenditures in the year qualifying expenditures are incurred provided there is reasonable assurance that the credits will be realized.
<b>Foreign Currency Translation</b>	Foreign currency accounts are translated to US dollars using the temporal method.
<b>Use of Estimates</b>	The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.
<b>Financial Instruments</b>	Financial instruments are recorded at fair value at initial recognition.

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**2. Accounts Receivable**

The company is exposed to concentration of credit risk related primarily to accounts receivable from companies that operate in the auto industry. The company works to mitigate credit risk on its receivables through diversification of its customer base and limiting its exposure to any one customer. This risk has not changed from the prior year.

Included in accounts receivable is \$160,042 (2018 - \$NIL) due from related parties.

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**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

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**3. Inventories**

	<u>2019</u>	<u>2018</u>
Raw materials	\$ 294,598	\$ 112,441
Maintenance parts	218,959	52,140
Finished goods	53,502	19,863
	<u>\$ 567,059</u>	<u>\$ 184,444</u>

The cost of sales during the year consists of the following:

	<u>2019</u>	<u>2018</u>
Materials and consumables used	\$ 5,379,914	\$ 2,371,706
Labour costs	573,393	-
Other costs	1,151,616	-
	<u>\$ 7,104,923</u>	<u>\$ 2,371,706</u>

Included in cost of sales is a one-time \$100,000 (2018 - \$300,000) grant received from the City of Englewood, through the Primary Economic Development Fund to cover start up costs.

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**4. Deposits**

Deposits for new forming line equipment being built in Italy. Once built, the equipment will be fully leased and the deposits reimbursed.

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**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

**5. Property, Plant and Equipment**

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets under construction	\$ 990,407	\$ -	\$ -	\$ -
Manufacturing equipment under capital lease	5,412,743	115,894	4,089,380	-
Manufacturing equipment	1,270,327	57,718	674,345	-
Office furniture and equipment	224,615	10,114	193,358	-
Leasehold improvements	47,883	3,511	-	-
Computer hardware	78,732	7,873	118,701	-
Tooling equipment	100,350	18,620	-	-
Computer software	2,231	-	33,285	-
	<b>8,127,288</b>	<b>213,730</b>	<b>5,109,069</b>	<b>-</b>
		<b>\$ 7,913,558</b>		<b>\$ 5,109,069</b>

Amortization expense of \$213,730 (2018 - \$NIL) is included in cost of goods sold.

During the year, equipment was acquired at an aggregate cost of \$3,018,219 (2018 - \$5,109,069). Of this total, \$267,198 (2018 - \$4,089,380) was acquired by means of a capital lease, \$2,046,572 (2018 - \$NIL) was acquired by means of long-term debt with the remaining \$704,449 (2018 - \$1,019,689) paid in cash.

## Hematite Inc. Notes to Financial Statements

Denominated in US Dollars

**March 30, 2019**

### 6. Related Party Transactions

The following table summarizes the company's related party transactions for the year:

	2019	2018
<b>Included in Cost of goods sold</b>		
Rent paid to Hematite RE I, Inc. (common control)	<b>\$ 536,625</b>	\$ -
<b>Included in Operating expenses</b>		
Management fee paid to Pavaco Plastics Inc. (common control)	112,814	136,878
Management fee paid to Hematite Manufacturing Inc. (common control)	177,376	-
Management fee received from Hematite RE I, Inc. (common control)	180,000	-
Travel fees paid to Pavaco Plastics Inc.	-	142,516
	<b>\$ 470,190</b>	<b>\$ 279,394</b>

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Management fees are a reimbursement of labour and overhead from the head office.

At the end of the year, the amounts due from related entities are as follows:

	2019	2018
Hematite Automotive Products Inc. (common control)	\$ 7,000	\$ -
Hematite RE I, Inc. (US) (common control)	257,235	135,070
	<b>\$ 264,235</b>	<b>\$ 135,070</b>

All balances are non-interest bearing and have no specified terms of repayment.

The balance owing from shareholder is non-interest bearing and has no set terms of repayment.

At the end of the year, the amounts due to related parties is as follows:

	2019	2018
Pavaco Plastics Inc.	\$ -	\$ 54,044
Canadian Pavaco Inc.	1,803,075	-
	<b>\$ 1,803,075</b>	<b>\$ 54,044</b>

Amounts due from related parties are non-interest bearing and are without specified terms of repayment. Canadian Pavaco Inc. has waived the right to demand repayment during the 2020 fiscal year end and accordingly, the amounts have been classified as long-term.

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**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

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**6. Related Party Transactions (continued)**

Included in accounts payable is \$688,447 (2018 - \$NIL) owing to related parties at year end.

The balance owing to shareholder is non-interest bearing and has no set terms of repayment. The shareholder has waived their right to demand repayment during the 2020 fiscal year and accordingly, the amounts have been classified as long-term.

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**7. Bank Indebtedness**

The company's bank account is held at one chartered bank. The company is party to an agreement with a combined authorized operating loan to Pavaco Plastics Inc., Hematite Manufacturing Inc., Hematite Industrial Products Inc., 1238579 Ontario Inc., and 2325373 Ontario Inc., for \$7,500,000 CDN (2018 - \$7,500,000 CDN) of which \$6,509,074 CDN (2018 - \$6,662,842 CDN) was utilized at year end. The agreement also includes an operating loan of \$1,500,000 of which \$1,256,160 (2018 - \$980,000) was utilized at year end. The loan bears interest at rates ranging from prime plus 0.75% to prime plus 1.75% based on debt to tangible net worth levels. Availability is restricted to 80% of accounts receivable net of receivables over 90 days, 30% of raw materials less 30 day payables on raw materials to a maximum of \$1,250,000 CDN and up to \$1,000,000 in an offsetting US account.

The operating loan is secured by a general security agreement on all assets of Hematite Manufacturing Inc., Pavaco Plastics Inc., 1238759 Ontario Inc., Hematite Industrial Products Inc., and 2325373 Ontario Inc. Unlimited guarantees from all of the companies in the corporate group and a \$2,500,000 CDN guarantee from one of the shareholders of the parent company.

The agreement governing the operating loan facility contains certain covenants tested quarterly regarding (i) combined debt to EBITDA and (ii) combined debt service coverage. The company is not in compliance with the debt service coverage covenant at year end.

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated with financial liabilities. The company is exposed to this risk through bank indebtedness, obligations under capital lease (Note 9), long-term debt (Note 8) and guarantees (Note 12).

The company is exposed to interest rate risk as it holds bank indebtedness and long-term debt (Note 8) with variable rates which creates variability in cash flows and net income as interest rates change. This risk has not changed from the prior year.

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**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

**8. Long-term Debt**

	2019	2018
Jobs Ohio loan, interest at 4.0%, servicing fee at 0.25%, repayable in monthly blended payments of \$15,570, term expiring March 2025.	\$ 987,972	\$ 638,843
Key Equipment Finance progress payment loan, interest at prime plus 2%.	2,166,144	-
	3,154,116	638,843
Current portion	(147,704)	-
Long-term portion of debt	\$ 3,006,412	\$ 638,843

The JobsOhio loan agreement contains certain job creation targets that must be met by December 2021 and maintained until December 2023. If the targets are not met, JobsOhio can increase the interest rate up to 10% per annum. The JobsOhio loan is guaranteed by Pavaco Holdings (US) Inc., Pavaco Plastics Inc. and Hematite Manufacturing Inc.

The company has \$3,000,000 available under the Key Equipment Finance Progress Payment loan. As of year end, the company has drawn \$2,166,144 on the loan with only interest charged until all of the related equipment has been received. At this time there are no set repayment terms. The Key Equipment Finance Progress Payment loan is guaranteed by Pavaco Plastics Inc., Hematite Holdings Inc. and Hematite Manufacturing Inc.

Principal repayments on long-term debt over the next five years and thereafter are as follows:

2020	\$	147,704
2021		154,105
2022		160,783
2023		167,751
2024		175,021
Thereafter		2,348,752
		\$ 3,154,116

**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

**9. Obligations Under Capital Leases**

	2019	2018
Obligation under capital lease - 4.50%, due December 2024, repayable \$57,320 principal and interest monthly.	\$ 3,442,295	\$ 3,949,832
Obligation under a capital lease - 4.82%, due July 2023, repayable \$728 principal and interest monthly.	34,105	-
Obligation under a capital lease - 4.82%, due July 2023, repayable \$759 principal and interest monthly.	35,568	-
Obligation under a capital lease - 4.82%, due September 2023, repayable \$970 principal and interest monthly.	47,014	-
Obligation under a capital lease - 8.17%, due October 2025, repayable \$1,559 principal and interest monthly.	95,936	-
Obligation under a capital lease - 11.13%, due October 2020, repayable \$459.22 principal and interest monthly.	7,966	-
Obligation under a capital lease - 8.02%, due January 2023, repayable \$464.58 principal and interest monthly.	18,345	-
Current portion	3,681,229 (577,511)	3,949,832 (507,538)
Long-term portion of obligations	\$ 3,103,718	\$ 3,442,294

Interest expense for the year related to capital leases is \$190,302 (2018 - \$32,412).

Future minimum lease payments under the capital leases for subsequent years are as follows:

2020	\$ 747,122
2021	744,826
2022	741,611
2023	740,682
2024	718,317
Thereafter	547,068
	4,239,626
Less: imputed interest	(558,397)
	\$ 3,681,229

All leases are secured by the leased assets.

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**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

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**10. Share Capital**

Issued and outstanding shares:

	<u>2019</u>	<u>2018</u>
100 Common shares	<u>\$ 100</u>	<u>\$ 100</u>

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**11. Income Taxes**

The company accounts for income taxes using the taxes payable method. As a result, the company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	<u>2019</u>	<u>2018</u>
Income before income taxes	\$ (1,196,488)	\$ (80,806)
Federal tax rate	<u>21.00 %</u>	<u>21.00 %</u>
Expected income tax expense	\$ (251,262)	\$ (16,969)
Change in income tax expense resulting from:		
Losses carried forward	<u>251,262</u>	<u>16,969</u>
	<u>\$ -</u>	<u>\$ -</u>

---

**12. Guarantees**

The company has guaranteed the entire construction loan of a related company (through common control), Hematite RE I, Inc. The amount outstanding under this facility as at March 30, 2019 amounted to \$7,537,842 (2018 - \$6,524,420) and matures May 2032.

Management believes that these guarantees will not have any significant unfavourable impact on its financial position and consequently, no provision has been made in the financial statements.

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**Hematite Inc.**  
**Notes to Financial Statements**

Denominated in US Dollars

**March 30, 2019**

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**13. Commitments**

The company rents land and building, vehicles and office and manufacturing equipment under various operating lease agreements which expire on various dates through to fiscal 2036. The minimum annual lease payments for the next five years are as follows:

2020	\$	65,547
2021		237,771
2022		255,062
2023		255,746
2024		260,710
Thereafter		<u>3,304,074</u>
	\$	<u>4,378,910</u>

Included in minimum lease payments are rental payments for land and building in Fayetteville, Tennessee commencing October 2019 and expiring September 2035.

The company rents land and buildings from Hematite RE I, Inc., a commonly controlled entity. There is no formal lease agreement in place.

As at year end, the company has submitted purchase orders for 3,889,161 of equipment.

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This is **Exhibit “M”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits





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# Hematite Manufacturing Inc. Income Statement

Periods: 2020-07-2020-07

Description	Actual 2020-07	Actual YTD 2021
<b>Sales</b>	3,424,836	6,427,349
Production Sales	3,424,836	6,427,349
<b>Cost of Goods Sold</b>	3,011,289	6,466,251
Labour	343,942	658,270
Material	1,979,553	3,634,686
Manufacturing Salaries & Wages	255,062	622,572
Repairs & Maintenance	57,710	127,518
Other Mfg Overhead	180,323	538,310
Inventory Change Adjustment	(22,519)	16,024
Amortization	217,218	868,872
<b>GROSS MARGIN</b>	<b>413,547</b>	<b>(38,902)</b>
<b>Selling &amp; Administrative Expenses</b>	447,885	693,141
Engineering & Development	3,168	(10,231)
SR&ED Activity	(4,363)	11,480
Administration Expenses	(203,101)	(906,031)
SALES & ENGINEERING	200,915	561,082
ADMINISTRATION	395,583	874,892
Interest	55,684	161,949
<b>Profit Before Taxes</b>	<b>(34,338)</b>	<b>(732,044)</b>
<b>PROVISION FOR INCOME TAXES</b>	38,250	(261,772)
<b>NET INCOME</b>	<b>(72,588)</b>	<b>(470,272)</b>
<b>EBITDA</b>	<b>244,418</b>	<b>322,210</b>

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# Hematite Manufacturing Inc. Income Statement

Periods: 2020-07-2020-07

Description	Actual 2020-07	Actual YTD 2021
<b>Sales</b>	3,424,836	6,427,349
<b>Production Sales</b>	3,424,836	6,427,349
SALES	3,429,054	6,442,324
SALES ADJ - CUR YEAR	(3,351)	(13,274)
SALES RETURNS/ALLOWANCES	(868)	(1,701)
<b>Cost of Goods Sold</b>	3,011,289	6,466,251
<b>Labour</b>	343,942	658,270
COST OF GOODS SOLD - LABOUR	247,680	464,320
LABOUR VARIANCE	(57,140)	(90,657)
DIRECT LABOUR O/T	47,114	61,495
LABOUR - SCRAP/SORT/REWORK	1,187	1,188
INDIRECT LABOUR	33,667	60,596
LABOUR-SCRAP	709	1,027
INV CHANGE ADJ - LABOUR	(1,577)	(3,888)
BENEFITS	72,303	164,191
<b>Material</b>	1,979,553	3,634,686
COST OF GOODS SOLD - MATERIAL	1,886,199	3,545,733
PACKAGING	35,559	50,238
PKG-RETURNABLE	3,779	13,138
INV CHANGE ADJ - MATL	(6,020)	5,800
COST OF TOOLING	3,695	9,750
PURCHASE PRICE VARIANCE	32,006	138,520
PPV-COMPRESSION	10,860	21,720
MATERIAL USAGE VARIANCE	(46,475)	(241,322)
FREIGHT PRICE VARIANCE	35,234	45,196
SCRAP-MATERIAL/COMPONENTS	24,715	45,914
<b>Manufacturing Salaries &amp; Wages</b>	255,062	622,572
MANUFACTURING SALARIES & WAGES	255,062	622,572
<b>Repairs &amp; Maintenance</b>	57,710	127,518
MAINTENANCE & REPAIR	55,226	122,478
MAINT & REP - PLANT SYS	753	2,996
MAINT & REP - O/S CONTRACTORS	0	168
TOOLING REPAIRS	29	138
BUILDING MAINTENANCE	1,405	1,440
SAFETY IMPROVEMENTS	298	298
<b>Other Mfg Overhead</b>	180,323	538,310
TRAINING COSTS	8,294	9,624
ISO 14000 PROJECT	0	375
BUILDING RENTAL	52,042	208,168
MUNICIPAL TAXES	17,340	62,998
FACTORY INSURANCE	7,514	30,056
TOW MOTOR RENTAL	6,858	27,432
UTILITIES	37,534	85,957
PROD CONSUMPTION	17,473	31,773

Description	Actual 2020-07	Actual YTD 2021
TOW MOTOR REPAIRS	6,192	8,238
PROPANE	2,846	3,250
GROUNDS MAINTENANCE	1,413	2,826
PLANT/OFFICE CLEANING	5,913	21,032
GARBAGE REMOVAL	13,421	31,108
COATS/SHOES	241	1,356
SAFETY SUPPLIES	929	4,347
TS 16949	0	325
WAREHOUSE RENTAL	1,938	8,451
TRAVEL	362	681
MEALS	12	315
<b>Inventory Change Adjustment</b>	(22,519)	16,024
INVENTORY CHANGE ADJUSTMENT	(22,519)	16,024
<b>Amortization</b>	217,218	868,872
AMORTIZATION	217,218	868,872
<b>GROSS MARGIN</b>	<b>413,547</b>	<b>(38,902)</b>
<b>Selling &amp; Administrative Expenses</b>	447,885	693,141
<b>Engineering &amp; Development</b>	3,168	(10,231)
SAMPLES	1,882	(16,338)
LAUNCH IMPLEMENTATION	1,286	6,107
<b>SR&amp;ED Activity</b>	(4,363)	11,480
RESEARCH & DEV	20,637	61,480
SR&ED ITC	(25,000)	(50,000)
<b>Administration Expenses</b>	(203,101)	(906,031)
EMP ACTIVITIES	1,849	6,316
BROKERAGE	5,078	7,148
ADMIN SALARIES	25,502	65,226
ADMIN BENEFITS	10,612	31,747
INTERCO MNGMT FEE	(196,960)	(740,925)
WAGE RECOVERY	(86,517)	(384,983)
CONSULTING	1,980	1,980
LEGAL-CORPORATE	0	630
AUDIT FEES	2,833	11,332
TELEPHONE/CELLULAR	1,265	4,112
I/S COMM LINES	1,819	6,715
OFFICE EXPENSE	1,029	6,499
OFFICE EQUIPMENT	356	1,424
COURIER	50	162
DUES/FEES	160	711
DEPRECIATION-OFFICE FURNITURE	391	1,580
DEPRECIATION - COMPUTER EQUIPMENT	4,212	16,848
DEPRECIATION - SOFTWARE	326	1,304
CAR INSURANCE	713	2,852
CAR DEPRECIATION	925	3,700
I/S MAINT.SERVICE	508	1,367
I/S MRO SUPPLIES	1,693	5,134
I/S TECH SUPPORT	0	(208)
BANK & SERVICE CHARGES	655	1,601
COMMISSIONS	19,260	38,294

Description	Actual 2020-07	Actual YTD 2021
CURRENCY GAIN/LOSS	(843)	3,398
<b>SALES &amp; ENGINEERING</b>	200,915	561,082
ENGINEERING SALARIES	134,848	338,815
ENGINEERING BENEFITS	25,540	58,970
SALES EXPENSE-HAP	30,100	120,379
R&D SUPPLIES - SS	353	491
BUILDING EXPENSES - SS	9,499	38,480
LAB EXPENSES	574	3,948
<b>ADMINISTRATION</b>	395,583	874,892
ADMIN SALARIES - SS	211,367	587,242
ADMIN BENEFITS - SS	21,760	68,861
EMPLOYEE EXPENSES	(63,750)	(283,750)
ADMIN EXPENSES	166,494	215,449
BIS EXPENSES	12,605	192,598
OFFICE EXPENSE - SS	2,679	9,068
DEPRECIATION - SS	8,744	17,488
VEHICLE EXPENSES	12,433	29,338
TRAVEL ADMIN - SS	22,552	39,080
TRAINING ADMIN - SS	700	(479)
<b>Interest</b>	55,684	161,949
LONG TERM INTEREST	55,684	161,949
<b>Profit before Taxes</b>	<b>(34,338)</b>	<b>(732,044)</b>
<b>PROVISION FOR INCOME TAXES</b>	38,250	(261,772)
<b>NET INCOME</b>	<b>(72,588)</b>	<b>(470,272)</b>
<b>EBITDA</b>	<b>244,418</b>	<b>322,210</b>



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## Hematite - Brantford Balance Sheet

Periods: 2020-07-2020-07

Description	Actual 2020-07
<b>Assets</b>	24,880,963
<b>Current Assets</b>	11,591,394
Inventory	1,994,506
Prepaid Expenses	620,865
Accounts Receivable	7,950,396
SR&ED Tax Receivable	1,025,628
<b>Capital Assets</b>	12,957,280
Total Capital Assets	25,279,311
Accumulated Amortization	(12,322,031)
<b>Other Assets</b>	332,289
Interco HAP Livonia	203,798
Interco HEM-PPI	11,348
Interco Hem-SRC Inc	870
Due from Shareholder	116,273
<b>Total Assets</b>	<b>24,880,963</b>
<b>Liabilities</b>	18,242,656
<b>Current Liabilities</b>	15,459,384
Bank Indebtedness	5,146,548
Accounts Payable & Accruals	6,772,490
Capital Lease Obligation	3,802,118
Income Tax Liability	(261,772)
<b>Long-Term Debt</b>	2,783,272
Term Loan - Subordinated	2,619,128
Term Loan	157,116
Term Loan - Interco	7,029
<b>Equity</b>	6,638,307
<b>Shareholder's Equity</b>	6,638,307
Retained Earnings - Begin	(526,850)
Retained Earnings - CY	6,638,315
Common/Special Shares	526,841
<b>Total Liabilities &amp; Equity</b>	<b>24,880,963</b>



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# Hematite - Guelph Income Statement NEW

Periods: 2020-07-2020-07

Description	Actual 2020-07	Actual YTD 2021
<b>Sales</b>	876,135	2,329,997
Production Sales	876,135	2,329,997
<b>Cost of Goods Sold</b>	892,764	2,719,271
Labour	111,913	334,082
Material	514,673	1,268,334
Manufacturing Salaries & Wages	127,242	467,939
Repairs & Maintenance	12,743	85,666
Other Mfg Overhead	79,292	401,027
Inventory Change Adjustment	22,022	62,855
Amortization	24,879	99,368
<b>GROSS MARGIN</b>	<b>(16,629)</b>	<b>(389,274)</b>
<b>Selling &amp; Administrative Expenses</b>	36,825	(36,621)
Engineering & Development	877	877
SR&ED Activity	0	8,097
Administration Expenses	1,522	(162,896)
Interest	34,427	117,302
<b>Profit Before Taxes</b>	<b>(53,454)</b>	<b>(352,652)</b>
<b>Provision for Income Taxes</b>	<b>(14,000)</b>	<b>(91,900)</b>
<b>NET INCOME</b>	<b>(39,454)</b>	<b>(260,752)</b>

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# Hematite - Guelph Income Statement NEW

Periods: 2020-07-2020-07

Description	Actual 2020-07	Actual YTD 2021
<b>Sales</b>	876,135	2,329,997
<b>Production Sales</b>	876,135	2,329,997
SALES	883,064	2,349,022
SALES ADJ - CUR YEAR	(5,244)	(16,566)
SALES RETURNS/ALLOWANCES	(1,685)	(2,459)
<b>Cost of Goods Sold</b>	892,764	2,719,271
<b>Labour</b>	111,913	334,082
COST OF GOODS SOLD - LABOUR	81,619	209,108
LABOUR VARIANCE	(4,617)	11,255
DIRECT LABOUR O/T	4,089	16,781
DIRECT LABOUR VARIANCE	1,131	4,599
LABOUR - SCRAP/SORT/REWORK	2,386	7,759
INDIRECT LABOUR	13,233	34,247
LABOUR-SCRAP	888	2,150
INV CHANGE ADJ - LABOUR	(446)	(770)
BENEFITS	13,631	48,954
<b>Material</b>	514,673	1,268,334
COST OF GOODS SOLD - MATERIAL	520,365	1,192,558
PKG-RETURNABLE	(1,018)	(658)
INV CHANGE ADJ - MATL	(1,632)	(7,308)
PURCHASE PRICE VARIANCE	273	95,007
MATERIAL USAGE VARIANCE	(13,169)	(41,346)
FREIGHT PRICE VARIANCE	5,028	11,717
SCRAP-MATERIAL/COMPONENTS	4,825	18,363
<b>Manufacturing Salaries &amp; Wages</b>	127,242	467,939
MANUFACTURING SALARIES & WAGES	127,242	467,939
<b>Repairs &amp; Maintenance</b>	12,743	85,666
MAINTENANCE & REPAIR	6,283	40,179
MAINT & REP - PLANT SYS	1,982	5,949
MAINT & REP - O/S CONTRACTORS	94	13,888
TOOLING REPAIRS	900	15,500
MATL HANDLING IMPR	0	2,450
BUILDING MAINTENANCE	1,560	3,709
SAFETY IMPROVEMENTS	1,924	3,989
<b>Other Mfg Overhead</b>	79,292	401,027
TRAINING COSTS	69	268
ISO 14000 PROJECT	(300)	5,180
BUILDING RENTAL	24,187	96,748
MUNICIPAL TAXES	11,246	44,984
FACTORY INSURANCE	4,116	16,464
TOW MOTOR RENTAL	(1,058)	5,719
UTILITIES	21,222	105,250

<b>Description</b>	<b>Actual 2020-07</b>	<b>Actual YTD 2021</b>
PROD CONSUMPTION	7,269	25,225
TOW MOTOR REPAIRS	2,011	5,143
PROPANE	950	2,431
GROUNDS MAINTENANCE	2,855	7,030
PLANT/OFFICE CLEANING	5,420	10,840
GARBAGE REMOVAL	(14,268)	18,728
COATS/SHOES	(72)	2,503
SAFETY SUPPLIES	1,501	6,307
TS 16949	0	(3,380)
WAREHOUSE RENTAL	3,420	12,191
TRAVEL	807	2,763
MEALS	657	2,846
FREIGHT OUT - PREMIUM	0	444
TRUCK LEASE/MILEAGE	2,678	12,880
TRUCK FUEL	209	1,136
TRAILER RENTAL/REPAIRS	6,039	17,987
TRUCK INSURANCE	335	1,340
<b>Inventory Change Adjustment</b>	22,022	62,855
INVENTORY CHANGE ADJUSTMENT	22,022	62,855
<b>Amortization</b>	24,879	99,368
AMORTIZATION	24,879	99,368
<b>GROSS MARGIN</b>	<b>(16,629)</b>	<b>(389,274)</b>
<b>Selling &amp; Administrative Expenses</b>	36,825	(36,621)
<b>Engineering &amp; Development</b>	877	877
SAMPLES - NON-BILLABLE	877	877
<b>SR&amp;ED Activity</b>	0	8,097
RESEARCH & DEV	0	8,097
<b>Administration Expenses</b>	1,522	(162,896)
EMP ACTIVITIES	419	4,549
BROKERAGE	920	2,293
ADMIN SALARIES	19,835	62,631
ADMIN BENEFITS	9,467	34,518
WAGE RECOVERY	(50,000)	(330,988)
LEGAL-CORPORATE	0	16,222
TELEPHONE/CELLULAR	731	2,555
I/S COMM LINES	173	497
OFFICE EXPENSE	1,322	4,930
OFFICE EQUIPMENT	936	3,744
COURIER	469	1,524
DUES/FEES	271	271
DEPRECIATION-OFFICE FURNITURE	817	3,372
DEPRECIATION - COMPUTER EQUIPMENT	1,081	4,324
DEPRECIATION - SOFTWARE	757	3,028
CAR MAINTENANCE	0	1
I/S MAINT.SERVICE	172	688
I/S MRO SUPPLIES	961	961
BANK & SERVICE CHARGES	5,482	17,025



<b>Description</b>	<b>Actual 2020-07</b>	<b>Actual YTD 2021</b>
CURRENCY GAIN/LOSS	8,034	5,290
TRAVEL-ADMIN	(324)	(324)
<b>Interest</b>	<b>34,427</b>	<b>117,302</b>
LONG TERM INTEREST	34,427	117,302
<b>Profit before Taxes</b>	<b>(53,454)</b>	<b>(352,652)</b>
<b>Provision for Income Taxes</b>	<b>(14,000)</b>	<b>(91,900)</b>
<b>NET INCOME</b>	<b>(39,454)</b>	<b>(260,752)</b>

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Description	Actual 2020-07
<b>Assets</b>	13,933,766
<b>Current Assets</b>	5,125,061
Inventory	1,178,543
Prepaid Expenses	340,952
Accounts Receivable	2,702,634
SR&ED Tax Receivable	902,932
<b>Capital Assets</b>	1,303,839
Total Capital Assets	17,682,257
Accumulated Amortization	(16,378,418)
<b>Other Assets</b>	7,504,865
Interco HAP Livonia	6,910,263
Interco HEM-PPI	25,224
Interco Hem-SRC Inc	180,531
Due from Shareholder	(304,322)
Investments	693,168
<b>Total Assets</b>	<b>13,933,766</b>
<b>Liabilities</b>	10,448,254
<b>Current Liabilities</b>	7,791,769
Bank Indebtedness	6,119,322
Accounts Payable & Accruals	1,376,518
Capital Lease Obligation	199,610
Income Tax Liability	96,319
<b>Long-Term Debt</b>	2,656,484
Due to Shareholders	80,022
Term Loan	129,992
Term Loan - Interco	2,446,471
<b>Equity</b>	3,485,512
<b>Shareholder's Equity</b>	3,485,512
Common/Special Shares	(1,399,986)
<b>Total Liabilities &amp; Equity</b>	<b>13,933,766</b>
Retained Earnings - Begin	2,398,917
Retained Earnings - CY	2,486,581



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# Hematite - Englewood Income Statement

Periods: 2020-07-2020-07

Description	Actual 2020-07	Actual YTD 2021
<b>Sales</b>	2,021,838	4,154,644
Production Sales	2,021,838	4,154,644
<b>Cost of Goods Sold</b>	1,927,946	4,382,033
Labour	106,752	255,058
Material	1,468,556	2,954,875
Manufacturing Salaries & Wages	161,571	444,304
Repairs & Maintenance	22,236	68,110
Other Mfg Overhead	84,599	298,114
Inventory Change Adjustment	(10,338)	(16,711)
Amortization	94,570	378,280
<b>GROSS MARGIN</b>	<b>93,893</b>	<b>(227,388)</b>
<b>Selling &amp; Administrative Expenses</b>	309,427	792,250
Engineering & Development	24,951	85,688
SR&ED Activity	(8,620)	(38,620)
HAP Expenses	31,000	118,286
Administration Expenses	214,035	394,006
Interest	48,061	232,891
<b>Profit Before Taxes</b>	<b>(215,534)</b>	<b>(1,019,637)</b>
<b>Provision for Income Taxes</b>	<b>(58,194)</b>	<b>(58,194)</b>
<b>NET INCOME</b>	<b>(157,340)</b>	<b>(961,443)</b>

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# Hematite - Englewood Income Statement

Periods: 2020-07-2020-07

Description	Actual 2020-07	Actual YTD 2021
<b>Sales</b>	2,021,838	4,154,644
<b>Production Sales</b>	2,021,838	4,154,644
SALES	2,035,627	4,160,057
SALES ADJ - CUR YEAR	(12,938)	(4,336)
SALES RETURNS/ALLOWANCES	(851)	(1,076)
<b>Cost of Goods Sold</b>	1,927,946	4,382,033
<b>Labour</b>	106,752	255,058
COST OF GOODS SOLD - LABOUR	46,148	96,362
LABOUR VARIANCE	23,792	66,614
LABOUR - SCRAP/SORT/REWORK	39	431
INDIRECT LABOUR	8,828	14,059
LABOUR-OUTSIDE SORT/REWORK	5,454	9,210
LABOUR-SCRAP	3,018	6,277
INV CHANGE ADJ - LABOUR	8	2,565
BENEFITS	19,464	59,536
<b>Material</b>	1,468,556	2,954,875
COST OF GOODS SOLD - MATERIAL	1,399,444	2,816,974
PACKAGING	(398)	2,920
PKG-RETURNABLE	0	(2,633)
INV CHANGE ADJ - MATL	(29,899)	(242,284)
PURCHASE PRICE VARIANCE	(13,830)	91,258
PPV-COMPRESSION	23,073	(58,166)
MATERIAL USAGE VARIANCE	34,006	218,819
FREIGHT PRICE VARIANCE	19,380	49,391
SCRAP-MATERIAL/COMPONENTS	36,780	78,597
<b>Manufacturing Salaries &amp; Wages</b>	161,571	444,304
MANUFACTURING SALARIES & WAGES	161,571	444,304
<b>Repairs &amp; Maintenance</b>	22,236	68,110
MAINTENANCE & REPAIR	16,887	39,510
MAINT & REP - PLANT SYS	4,224	17,903
MAINT & REP - O/S CONTRACTORS	850	4,885
TOOLING REPAIRS	0	3,911
MATL HANDLING IMPR	0	1,257
BUILDING MAINTENANCE	274	645
<b>Other Mfg Overhead</b>	84,599	298,114
TRAINING COSTS	0	754
EQUIPMENT LEASE	474	3,554
BUILDING RENTAL	39,625	159,250
FACTORY INSURANCE	2,000	8,000
TOW MOTOR RENTAL	5,889	3,952
UTILITIES	15,429	67,651
PROD CONSUMPTION	2,517	7,926

<b>Description</b>	<b>Actual 2020-07</b>	<b>Actual YTD 2021</b>
TOW MOTOR REPAIRS	2,718	3,128
PROPANE	571	1,673
GROUNDS MAINTENANCE	2,806	9,193
GARBAGE REMOVAL	7,817	22,504
COATS/SHOES	0	769
SAFETY SUPPLIES	3,662	9,481
QC SUPPLIES	0	655
TRAVEL	521	2,947
MEALS	152	566
LAB SUPPLY	390	390
FREIGHT IN - PREMIUM	0	(23,014)
FREIGHT - LOCAL	28	18,736
<b>Inventory Change Adjustment</b>	<b>(10,338)</b>	<b>(16,711)</b>
INVENTORY CHANGE ADJUSTMENT	(10,338)	(16,711)
<b>Amortization</b>	<b>94,570</b>	<b>378,280</b>
AMORTIZATION	94,570	378,280
<b>GROSS MARGIN</b>	<b>93,893</b>	<b>(227,388)</b>
<b>Selling &amp; Administrative Expenses</b>	<b>309,427</b>	<b>792,250</b>
<b>Engineering &amp; Development</b>	<b>24,951</b>	<b>85,688</b>
ENGINEERING SALARIES	20,481	71,039
ENGINEERING BENEFITS	2,471	12,649
PREPRODUCTION TRIALS	1,999	1,999
<b>SR&amp;ED Activity</b>	<b>(8,620)</b>	<b>(38,620)</b>
RESEARCH & DEV	1,380	1,380
SR&ED ITC	(10,000)	(40,000)
<b>HAP Expenses</b>	<b>31,000</b>	<b>118,286</b>
SALES EXPENSE-HAP	31,000	118,286
<b>Administration Expenses</b>	<b>214,035</b>	<b>394,006</b>
EMP ACTIVITIES	219	894
BROKERAGE	82	311
ADMIN SALARIES	25,045	66,611
ADMIN BENEFITS	4,671	13,988
INTERCO MNGMT FEE	140,000	522,076
WAGE RECOVERY	(36,995)	(447,489)
CONSULTING	5,000	13,140
RECRUITING	1,618	3,090
LEGAL-CORPORATE	0	2,306
AUDIT FEES	2,500	9,956
TELEPHONE/CELLULAR	509	2,280
I/S COMM LINES	2,439	7,289
OFFICE EXPENSE	1,701	4,092
OFFICE EQUIPMENT	0	222
COURIER	15,834	16,383
DUES/FEES	219	219
DEPRECIATION-OFFICE FURNITURE	1,765	7,060
DEPRECIATION - COMPUTER EQUIPMENT	1,752	7,008
DEPRECIATION - SOFTWARE	353	1,412

<b>Description</b>	<b>Actual 2020-07</b>	<b>Actual YTD 2021</b>
CAR LEASES	523	2,092
CAR MAINTENANCE	88	88
I/S MAINT.SERVICE	728	3,760
I/S MRO SUPPLIES	1,250	2,827
I/S TECH SUPPORT	1,002	1,002
BANK & SERVICE CHARGES	4,350	12,155
COMMISSIONS	0	12,021
TRAINING-ADMIN	39,380	129,205
<b>Interest</b>	<b>48,061</b>	<b>232,891</b>
LONG TERM INTEREST	48,061	232,891
<b>Profit before Taxes</b>	<b>(215,534)</b>	<b>(1,019,637)</b>
<b>Provision for Income Taxes</b>	<b>(58,194)</b>	<b>(58,194)</b>
<b>NET INCOME</b>	<b>(157,340)</b>	<b>(961,443)</b>

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# Hematite - Englewood Balance Sheet

Periods: 2020-07-2020-07

Description	Actual 2020-07
<b>Assets</b>	16,837,365
<b>Current Assets</b>	7,627,910
Inventory	786,894
Prepaid Expenses	364,989
Accounts Receivable	6,286,027
SR&ED Tax Receivable	190,000
<b>Capital Assets</b>	11,415,626
Total Capital Assets	12,757,251
Accumulated Amortization	(1,341,625)
<b>Other Assets</b>	(2,206,171)
Interco HAP Livonia	(2,206,271)
Due from Shareholder	100
<b>Total Assets</b>	<b>16,837,365</b>
<b>Liabilities</b>	21,296,700
<b>Current Liabilities</b>	18,290,323
Bank Indebtedness	3,138,159
Accounts Payable & Accruals	9,833,631
Capital Lease Obligation	5,370,674
Income Tax Liability	(52,141)
<b>Long-Term Debt</b>	3,006,377
Term Loan	840,233
Term Loan - Interco	2,166,144
<b>Equity</b>	(4,459,335)
<b>Shareholder's Equity</b>	(4,459,335)
Retained Earnings - Begin	55,185
Retained Earnings - CY	(4,514,620)
Common/Special Shares	100
<b>Total Liabilities &amp; Equity</b>	<b>16,837,365</b>



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# HIP Income Statement

Periods: 2021-04-2021-04

Description	Actual 2021-04	Actual YTD 2021
<b>Sales</b>	284,714	839,861
Production Sales	284,714	839,861
<b>Cost Of Goods Sold</b>	282,930	845,877
Labour	40,489	109,606
Material	180,345	520,326
Manufacturing Salaries & Wages	16,614	66,438
Repairs & Maintenance	1,752	7,163
Other Mfg Overhead	22,702	107,092
Inventory Change Adjustment	16,377	16,377
Amortization	4,651	18,875
<b>GROSS MARGIN</b>	<b>1,784</b>	<b>(6,015)</b>
<b>Selling &amp; Administrative Expenses</b>	<b>(14,881)</b>	<b>(40,161)</b>
SR&ED Activity	(2,000)	(8,000)
Administration Expenses	(13,756)	(35,763)
Interest	875	3,602
<b>Profit Before Taxes</b>	<b>16,665</b>	<b>34,143</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>(2,608)</b>	<b>(2,608)</b>
<b>NET INCOME</b>	<b>19,273</b>	<b>36,751</b>
<b>EBITDA</b>	<b>22,339</b>	<b>57,211</b>

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 Canada

# HIP Income Statement

Periods: 2021-04-2021-04

Description	Actual 2021-04	Actual YTD 2021
<b>Sales</b>	284,714	839,861
<b>Production Sales</b>	284,714	839,861
SALES	285,554	840,701
SALES RETURNS/ALLOWANCES	(840)	(840)
<b>Cost Of Goods Sold</b>	282,930	845,877
<b>Labour</b>	40,489	109,606
LABOUR VARIANCE	33,373	83,793
DIRECT LABOUR O/T	0	32
INDIRECT LABOUR	404	1,075
BENEFITS	6,711	24,704
<b>Material</b>	180,345	520,326
COST OF GOODS SOLD - MATERIAL	84,684	415,819
PACKAGING	1,300	10,622
PURCHASE PRICE VARIANCE	83,947	59,843
SUB-CONTRACTOR PPV	902	5,074
FREIGHT PRICE VARIANCE	9,511	28,966
<b>Manufacturing Salaries &amp; Wages</b>	16,614	66,438
MANUFACTURING SALARIES & WAGES	16,614	66,438
<b>Repairs &amp; Maintenance</b>	1,752	7,163
MAINTENANCE & REPAIR	787	6,251
TOOLING REPAIRS	0	675
BUILDING MAINTENANCE	(5)	(733)
SAFETY IMPROVEMENTS	970	970
<b>Other Mfg Overhead</b>	22,702	107,092
TRAINING COSTS	130	130
BUILDING RENTAL	7,897	31,588
MUNICIPAL TAXES	2,760	11,040
FACTORY INSURANCE	986	3,944
UTILITIES	9,943	42,589
PROD CONSUMPTION	479	5,681
TOW MOTOR REPAIRS	(967)	2,337
PROPANE	181	605
GROUNDS MAINTENANCE	0	2,490
PLANT/OFFICE CLEANING	762	2,735
GARBAGE REMOVAL	0	983
COATS/SHOES	0	133
SAFETY SUPPLIES	44	624
TRAVEL	267	1,393
MEALS	220	821
<b>Inventory Change Adjustment</b>	16,377	16,377
INVENTORY CHANGE ADJUSTMENT	16,377	16,377

<b>Description</b>	<b>Actual 2021-04</b>	<b>Actual YTD 2021</b>
<b>Amortization</b>	4,651	18,875
AMORTIZATION	4,651	18,875
<b>GROSS MARGIN</b>	<b>1,784</b>	<b>(6,015)</b>
<b>Selling &amp; Administrative Expenses</b>	(14,881)	(40,161)
<b>SR&amp;ED Activity</b>	(2,000)	(8,000)
SR&ED ITC	(2,000)	(8,000)
<b>Administration Expenses</b>	(13,756)	(35,763)
EMP ACTIVITIES	0	573
BROKERAGE	383	2,171
ADMIN SALARIES	5,615	22,236
ADMIN BENEFITS	1,382	5,576
WAGE RECOVERY	(23,958)	(78,868)
AUDIT FEES	220	880
TELEPHONE/CELLULAR	55	1,469
I/S COMM LINES	160	2,977
OFFICE EXPENSE	647	1,343
COURIER	450	873
DUES/FEES	113	524
DEPRECIATION-OFFICE FURNITURE	147	588
CAR LEASES	496	2,296
BANK & SERVICE CHARGES	348	954
PROMOTION	191	245
CURRENCY GAIN/LOSS	(5)	399
<b>Interest</b>	875	3,602
LONG TERM INTEREST	875	3,602
<b>Profit before Taxes</b>	<b>16,665</b>	<b>34,143</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>(2,608)</b>	<b>(2,608)</b>
<b>NET INCOME</b>	<b>19,273</b>	<b>36,751</b>
<b>EBITDA</b>	<b>22,339</b>	<b>57,211</b>



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# HIP Balance Sheet

Periods: 2021-04-2021-04

Description	Actual 2021-04
<b>Assets</b>	849,320
<b>Current Assets</b>	693,702
Inventory	153,128
Prepaid Expenses	4,833
Accounts Receivable	502,756
SR&ED Tax Receivable	32,985
<b>Capital Assets</b>	329,306
Total Capital Assets	802,327
Accumulated Amortization	(473,021)
<b>Other Assets</b>	(173,688)
Interco PAVACO-SRC	(174,794)
Interco Hem-SRC Inc	205
Due from Shareholder	901
<b>Total Assets</b>	<b>849,320</b>
<b>Liabilities</b>	705,346
<b>Current Liabilities</b>	705,346
Bank Indebtedness	(25,606)
Accounts Payable & Accruals	585,454
Capital Lease Obligation	148,107
Income Tax Liability	(2,608)
<b>Equity</b>	143,974
<b>Shareholder's Equity</b>	143,974
Retained Earnings - Begin	422,048
Retained Earnings - CY	(278,075)
Common/Special Shares	1
<b>Total Liabilities &amp; Equity</b>	<b>849,320</b>

This is **Exhibit “N”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

**Hematite Holdings Inc., Hematite Manufacturing Inc., Hematite Industrial Products Inc., Canadian Pavaco Inc.**

**Summary of Registrations Under the *Personal Property Security Act* (Ontario)**

**Currency Date:** As noted in the results.

<b>Debtor<sup>1</sup></b>	<b>Results</b>
Hematite Holdings Inc.	See Appendix A.
Hematite Manufacturing Inc.	See Appendix B.
Hematite Industrial Products Inc.	See Appendix C.
Canadian Pavaco Inc.	See Appendix D.

**Pavaco Holdings U.S. Inc., Hematite, Inc., Hematite Automotive Products, Inc.**

**Summary of Registrations under the *Uniform Commercial Code* in Delaware, Ohio and Michigan**

**Currency Date:** As noted in the results.

<b>Debtor<sup>2</sup></b>	<b>Results</b>
Pavaco Holdings U.S. Inc.	See Appendix E.
Hematite, Inc.	See Appendix F.
Hematite Automotive Products, Inc.	See Appendix G.

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<sup>1</sup> Name that was searched in the records of the central office of the Personal Property Security Registration System.

<sup>2</sup> Name that was searched in the applicable secured transaction registry.

## APPENDIX A

### PPSA (Ontario) – Hematite Holdings Inc.

Summary of Encumbrances Under the *Personal Property Security Act* (Ontario)  
Currency Date: September 10, 2020

Searches were conducted under the following name:  
**Hematite Holdings Inc.**

No.	File No.	Registration No.	Registration Period (yrs.)	Expiry Date	Debtor(s) Name	Secured Party	Collateral Classification	Collateral Description
1.	761210838	20200325 0900 1590 0227	2	Mar. 25, 2020	John C. Pavanel Hematite Holdings Inc.	HMT Holdings Inc.	Accounts, Other	ASSIGNMENT AND POSTPONEMENT OF CLAIM CONTAINED IN A GUARANTEE BY THE DEBTOR OF THE LIABILITIES AND OBLIGATIONS OF 1238579 ONTARIO INC.

**APPENDIX B**

**PPSA (Ontario) – Hematite Manufacturing Inc.**

Summary of Encumbrances Under the *Personal Property Security Act* (Ontario)  
 Currency Date: September 10, 2020

Searches were conducted under the following name:

**Hematite Manufacturing Inc.**  
**Pavaco Plastics Inc.**  
**Pavaco Products Inc.**

Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
CLE CAPITAL INC.	HEMATITE MANUFACTURING INC.  PAVACO PLASTICS INC.			X		X		748512018 <b>PPSA</b>	20190222 1003 1462 7798 Reg. 6 year(s)	
		General Collateral Description: 2 - JT ASSEMBLY MACHINES WITH ERGO LIFTS THE PERSONAL PROPERTY DESCRIBED HEREIN, TOGETHER WITH ALL ACCESSORIES, OPTIONAL EQUIPMENT, COMPONENTS, PARTS, INSTRUMENTS, APPURTENANCES, FURNISHINGS AND OTHER EQUIPMENT OF WHATEVER NATURE OR KIND FURNISHED IN CONNECTION WITH ANY OF THE FOREGOING EQUIPMENT AND ANY REPLACEMENTS AND SUBSTITUTIONS THEREFOR (COLLECTIVELY, THE "EQUIPMENT"), AS WELL AS ALL OF THE DEBTOR'S PRESENT AND FUTURE RIGHTS, TITLE AND INTEREST IN THE FOLLOWING (THE "EQUIPMENT-RELATED COLLATERAL") (I) INTELLECTUAL PROPERTY AND OTHER INTANGIBLES RELATING TO THE EQUIPMENT OR EQUIPMENT-RELATED COLLATERAL (II) ANY CONTRACT FOR THE SALE, LEASE, RENTAL OR OTHER DISPOSITION OF THE EQUIPMENT (III) ALL INSURANCE CLAIMS AND PROCEEDS RESULTING FROM ANY LOSS OR DAMAGE TO THE EQUIPMENT OR THE EQUIPMENT-RELATED COLLATERAL AND (IV) ANY PROCEEDS OF THE EQUIPMENT OR EQUIPMENT-RELATED COLLATERAL, IN WHATEVER FORM IT MAY BE, INCLUDING WITHOUT LIMITATION, CHATTEL PAPER, TITLE DOCUMENTS, GOODS, INSTRUMENTS, OR MONEY.								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			

CONCENTRA BANK	HEMATITE MANUFACTURING INC PAVACO PLASTICS INC.			X					748033074 <b>PPSA</b>	20190201 1002 1462 2520 Reg. 6 year(s)	
No Fixed Maturity Date  General Collateral Description: 2013 FABRIWELD GIBB-STYLE 200 TON PRESS SERIAL # FC116093-01-13, 2013 MODERN MACHINERY VACUUM FORMING MACHINE SERIAL # 5290, EQUIPMENT LISTED ON MODERN MACHINERY INVOICE #7180-01 TOGETHER WITH ALL ATTACHMENTS AND ACCESSORIES, PROCEEDS INCLUDING BUT NOT LIMITED TO GOODS, CHATTEL PAPER, INVESTMENT PROPERTY, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY, INTANGIBLES, INSURANCE AND ALL OTHER PROCEEDS ARISING DIRECTLY OR INDIRECTLY FROM THE DISPOSITION, EXCHANGE, LOSS, REPLACEMENT, RENEWAL, DESTRUCTION OF OR DEALING WITH THE COLLATERAL COLLATERAL CLASSIFICATION - EQUIPMENT, INVENTORY, ACCOUNTS, OTHER											
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
CWB NATIONAL LEASING INC.	PAVACO PLASTICS INC. HEMATITE MANUFACTURING INC.			X				746846001 <b>PPSA</b>	20181214 1001 6005 7149 Reg. 04 year(s)		
General Collateral Description: ALL INDUSTRIAL EQUIPMENT, HYDRAULIC PRESS OF EVERY NATURE OR KIND DESCRIBED IN AGREEMENT NUMBER 2914301, BETWEEN THE SECURED PARTY AND THE DEBTOR, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.											
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
HSBC BANK CANADA	PAVACO PLASTICS INC. HEMATITE MANUFACTURING INC.			X		X		746466201 <b>PPSA</b>	20181203 1435 1530 7053 Reg. 5 year(s)		
General Collateral Description: (1) 4WAY ADJ CLMP FRAME & SPLITTER PER PROPOSAL 218352-2 REV (1) 4WAY SAME PLANE ADJ SPLITTER (1) INSTALLATION											



Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
HSBC BANK CANADA	HEMATITE MANUFACTURING INC. PAVACO PLASTICS INC.			X		X		742093524 <b>PPSA</b>	20180727 1933 1531 9842 Reg. 6 year(s)	
General Collateral Description: ROBO TRIM ROUTER TRIMMING SYSTEM AS PER PROPOSAL R170465-3 S/N 3648										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
HSBC BANK CANADA	PAVACO PRODUCTS INC. PAVACO PLASTICS INC.			X		X		738845172 <b>PPSA</b>	20180501 1432 1530 1116 Reg. 6 year(s)	
General Collateral Description: RH STATION - AB CONTROLS (ACRP-HT-320B-000) LH STATION - AB CONTROLS (ACRP-HT-320B-001) DESIGN, BUILD, INTEGRATE AND INSTALL TWO STANDALONE ASSEMBLY STATIONS TO ASSEMBLE THE RH PART AND LH PART OF THE 320B INNER WHEEL LINER AS PER HEMATITE RFQ CR1904										
	PAVACO PRODUCTS INC. HEMATITE MANUFACTURING INC.							738845172	20180803 1938 1531 3280  A AMENDMENT	
Reason for Amendment: DELETE - PAVACO PRODUCTS INC. ADD - HEMATITE MANUFACTURING INC.										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
THE TORONTO-DOMINION BANK TD EQUIPMENT	PAVACO PLASTICS INC,			X		X		737995482 <b>PPSA</b>	20180406 1110 1793 8972 Reg. 8 year(s)	

FINANCE CANADA, A DIVISION OF THE TORONTO-DOMINION BANK											
		General Collateral Description: NEW 2018 JETTOOL ROBOTIC WATERJET TRIMMING SYSTEM WITH PUMP S/N 3633 AND 3634 C/W INTENSIFIER PUMP S/N 0218-16911 TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO ANY INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.									
	PAVACO PLASTICS INC.  HEMATITE MANUFACTURING INC.							737995482		20200710 1434 1590 7278	A AMENDMENT
		Reason for Amendment: AMENDMENT TO REFLECT THE NEW NAME OF THE DEBTOR PAVACO PLASTICS INC. TO HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
THE TORONTO-DOMINION BANK  TD EQUIPMENT FINANCE CANADA, A DIVISION OF THE TORONTO-DOMINION BANK	PAVACO PLASTICS INC.			X		X		738002601 <b>PPSA</b>	20180406 1257 1793 8991 Reg. 8 year(s)		
		General Collateral Description: QTY (1) NEW 2018 FABRIWELD THERMAL FORMING LINE C/W ALL ACCESSORIES AND ATTACHMENTS SN FC156700-156700-01-08 THE GOODS DESCRIBED HEREIN, TOGETHER WITH ALL ATTACHMENTS									

		ACCESSORIES REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO ANY INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.								
	PAVACO PLASTICS INC. HEMATITE MANUFACTURING INC.					738002601	20200710 1434 1590 7279 A AMENDMENT			
		Reason for Amendment: AMENDMENT TO REFLECT THE NEW NAME OF THE DEBTOR PAVACO PLASTICS INC. TO HEMATITE MANUFACTURING INC.								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
HSBC BANK CANADA	PAVACO PRODUCTS INC. AND PAVACO PLASTICS INC.			X		X		737475885 <b>PPSA</b>	20180321 1927 1531 7333 Reg. 6 year(s)	
		General Collateral Description: TOOLING LOCKS (2) SHOT PIN SAFETY LOCKS MODIFIED SHORT BAR CLAMP FRAME (1) VAC FORM MOLD FURNITURE FOR OFFICE SPACE UPSTAIRS OUTSIDE OF LAB STORAGE SYSTEM FOR NEW MAINT SHOP (2) FILTER HOUSING MAIN HYDRAULIC CYLINDER FOR BRUNO PRESS S/N 2602 #C7-1217-2602 DIE CUT FREIGHT (1) RATIO CLAMP FOR MACRODYNE PRESS HYDRAULIC PUMP (BOSCH) FOR RATIO CLAMP LABOUR 400 HP DC MOTOR S/N 1DB693729-T1-WL OFFICE FURNITURE FOR ENGINEERING OFFICE MOVING (1) GLASS BOARD 4' X 8' AC UNIT FOR SERVER ROOM WIRE AC UNIT / REMOVE DUCTING, INSTALL BLOCKENDS & REPAIR LEAKING EXHAUST								
	PAVACO PRODUCTS INC. AND PAVACO PLASTICS INC.  PAVACO PLASTICS INC.  HEMATITE MANUFACTURING INC.						737475885	20180803 1938 1531 3278 A AMENDMENT		

		Reason for Amendment: CHANGE BUSINESS DEBTOR FROM - PAVACO PRODUCTS INC. & PAVACO PLASTICS INC. TO - PAVACO PLASTICS INC. ADD DEBTOR - HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
HSBC BANK CANADA	PAVACO PRODUCTS INC. AND PAVACO PLASTICS INC.			X		X		737475894 <b>PPSA</b>	20180321 1927 1531 7334 Reg. 4 year(s)		
		General Collateral Description: UPGRADE SOFTWARE TO BLUEHILL UNIVERSAL (3) DELL LATITUDE 5480, BTX (3) CUSTOMER KIT, DELL DOCK TYPE C - 180W (3) DELL 23 MONITOR P2317H SOLIDWORKS STANDARD VERSION (2) CATIA V5 PLM PROGRAMS ENESCOPE MONITORING SYSTEM CHANGES TO ENESCOPE MONITORING SYSTEM									
	PAVACO PRODUCTS INC. AND PAVACO PLASTICS INC.  PAVACO PLASTICS INC.  HEMATITE MANUFACTURING INC.							737475894	20180803 1938 1531 3279  A AMENDMENT		
		Reason for Amendment: CHANGE BUSINESS DEBTOR FROM - PAVACO PRODUCTS INC. & PAVACO PLASTICS INC. TO - PAVACO PLASTICS INC. ADD DEBTOR - HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
THE TORONTO-DOMINION BANK	PAVACO PLASTICS INC.				X	X		736028721 <b>PPSA</b>	20180129 1345 1862 5115 Reg. 5 year(s)		

	PAVACO PLASTICS INC. HEMATITE MANUFACTURING INC.								736028721	20200710 1434 1590 7280 A AMENDMENT	
		Reason for Amendment: AMENDMENT TO REFLECT THE NEW NAME OF THE DEBTOR PAVACO PLASTICS INC. TO HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
HSBC BANK CANADA	PAVACO PRODUCTS INC. AND PAVACO PLASTICS INC.			X			X	735496092 <b>PPSA</b>	20180108 1434 1530 1480 Reg. 6 year(s)		
		General Collateral Description: (1) TEMPERATURE HUMIDITY TEST CHAMBER MODEL- HD-2144, S/N- 10993-2									
	PAVACO PRODUCTS INC. AND PAVACO PLASTICS INC.  PAVACO PLASTICS INC.  HEMATITE MANUFACTURING INC.								735496092	20180803 1938 1531 3277 A AMENDMENT	
		Reason for Amendment: CHANGE BUSINESS DEBTOR FROM - PAVACO PRODUCTS INC. & PAVACO PLASTICS INC. TO - PAVACO PLASTICS INC. ADD DEBTOR - HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
HSBC BANK CANADA	PAVACO PRODUCTS INC.  PAVACO PLASTICS INC.			X			X	730391589 <b>PPSA</b>	20170731 1933 1531 8129 Reg. 6 year(s)		



	PAVACO PRODUCTS INC							730083123 <b>PPSA</b>	20170823 1635 8077 9632	B RENEWAL Renew 1 year(s)	
	PAVACO PRODUCTS INC HEMATITE MANUFACTURING INC.							730083123 <b>PPSA</b>	20180726 1432 8077 6934	A AMENDMENT	
		Reason for Amendment: CHANGE THE NAME OF DEBTOR 1 AND 2 TO HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
HSBC BANK CANADA	PAVACO PRODUCTS INC. PAVACO PLASTICS INC.			X			X	722240505 <b>PPSA</b>	20161104 1441 1530 2271 Reg. 5 year(s)		
		Maturity Date: November 3, 2021  General Collateral Description: 1 ROBOTIC 3D WATERJET CUTTING SYS. SN- 5063 (VALUE \$77,470.00) 1 SH20 ADVANTAGE DUAL INTENSIFIER (VALUE \$11,250.00)									
	PAVACO PRODUCTS INC. HEMATITE MANUFACTURING INC.							722240505	20180803 1938 1531 3275	A AMENDMENT	
		Reason for Amendment: DELETE - PAVACO PRODUCTS INC. ADD - HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	

Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
RCAP LEASING INC.	PAVACO PRODUCTS INC			X	X	X		720233253 <b>PPSA</b>	20160901 1711 8077 5898 Reg. 6 year(s)	
		No Fixed Maturity Date  General Collateral Description: ALL COPIER, OFFICE EQUIPMENT FROM TIME TO TIME LEASED BY THE SECURED PARTY TO THE DEBTOR AS DESCRIBED ON LEASES, CONDITIONAL SALESAGREEMENTS AND ANY OTHER FINANCING AGREEMENTS ENTERED INTO BETWEEN THE SECURED PARTY AND THE DEBTOR FROM TIME TO TIME AND ANY PROCEEDS THEREOF, TOGETHER WITH ALL REPLACEMENT PARTS, ACCESSORIES AND ATTACHMENTS.								
	PAVACO PRODUCTS INC HEMATITE MANUFACTURING INC.							720233253 <b>PPSA</b>	20180726 1432 8077 6933  A AMENDMENT	
		Reason for Amendment: CHANGE THE NAME OF DEBTOR 1 AND 2 TO HEMATITE MANUFACTURING INC.								
BUSINESS DEVELOPMENT BANK OF CANADA	PAVACO PLASTICS INC. (Corp. No.: 001817811)  PAVACO PRODUCTS INC. (Corp. No.: 002043427)  SILICONE RUBBER CANADA LTD. (Corp. No.: 002237706)		X	X	X	X	X	719218827 <b>PPSA</b>  *** THIS REGISTRATION HAS BEEN DISCHARGED **	20160803 1112 1862 2757 Reg. 21 year(s)	
		No Fixed Maturity Date  General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY.								





	PAVACO PLASTICS INC.								719218854	20160803 1120 1862 2761	B RENEWAL Renew 2 year(s)	
	PAVACO PLASTICS INC. HEMATITE INDUSTRIAL PRODUCTS INC. HEMATITE MANUFACTURING INC.								719218854	20181024 1603 2611 4854	A AMENDMENT	
		Reason for Amendment: TO RECORD DEBTORS' NAME CHANGE VIA ARTICLES OF AMENDMENT? SILICONE RUBBER CANADA LTD. TO HEMATITE INDUSTRIAL PRODUCTS INC. EFFECTIVE JUNE 28, 2018 AND PAVACO PRODUCTS INC. TO HEMATITE MANUFACTURING INC. EFFECTIVE MAY 16, 2018										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments		
		CG	I	E	A	O	MV					
THE TORONTO- DOMINION BANK - 27642	JAYMAR VENTURES INC. PAVACO PLASTICS INC.				X	X		704312775 <b>PPSA</b>	20150317 1945 1531 0807 Reg. 5 year(s)			
	JAYMAR VENTURES INC.							704312775	20200116 1937 1531 7107	B RENEWAL Renew 1 year(s)		
	PAVACO PLASTICS INC.							704312775	20200318 1452 1590 9697	B RENEWAL		



Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.	PAVACO PRODUCTS INC.			X	X	X	X	701419716 <b>PPSA</b>	20141107 1950 1531 0236 Reg. 6 year(s)	
		No Fixed Maturity Date  2014 CROWN / C51050 (VIN: 9A211609)  General Collateral Description: ALL PERSONAL PROPERTY OF THE DEBTOR DESCRIBED HEREIN BY VEHICLE IDENTIFICATION NUMBER OR SERIAL NUMBER, AS APPLICABLE, WHEREVER SITUATED, TOGETHER WITH ALL PARTS AND ACCESSORIES RELATING THERETO, ALL ATTACHMENTS, ACCESSORIES AND ACCESSIONS THERETO OR THEREON, ALL REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS OF ALL OR ANY PART OF THE FOREGOING AND ALL PROCEEDS IN ANY FORM DERIVED THEREFROM.								
	PAVACO PRODUCTS INC.  HEMATITE MANUFACTURING INC.							701419716	20180801 1932 1531 2237  A AMENDMENT	
		Reason for Amendment: ADD ADDITIONAL DEBTOR NAME TO THE REGISTRATION								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.	PAVACO PRODUCTS INC.			X	X	X	X	700839432 <b>PPSA</b>	20141020 1943 1531 7512 Reg. 6 year(s)	
		No Fixed Maturity Date  2014 CLARK / TMX25 (VIN: TMX25000319932)								

		2014 CLARK / TMX25 (VIN: TMX25000349932) 2013 CLARK / TMX25 (VIN: TMX25022619803) 2014 CLARK / TMX25 (VIN: TMX25022799803) 2014 CLARK / TMX25 (VIN: TMX25022719803)  General Collateral Description: ALL PERSONAL PROPERTY OF THE DEBTOR DESCRIBED HEREIN BY VEHICLE IDENTIFICATION NUMBER OR SERIAL NUMBER, AS APPLICABLE, WHEREVER SITUATED, TOGETHER WITH ALL PARTS AND ACCESSORIES RELATING THERETO, ALL ATTACHMENTS, ACCESSORIES AND ACCESSIONS THERETO OR THEREON, ALL REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS OF ALL OR ANY PART OF THE FOREGOING AND ALL PROCEEDS IN ANY FORM DERIVED THEREFROM.								
	PAVACO PRODUCTS INC.  HEMATITE MANUFACTURING INC.						700839432	20180801 1932 1531 2236  A AMENDMENT		
		Reason for Amendment: ADD AN ADDITIONAL DEBTOR NAME TO THE REGISTRATION								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
DE LAGE LANDEN FINANCIAL SERVICES CANADA INC.	PAVACO PRODUCTS INC.			X	X	X	X	699977457 <b>PPSA</b>	20140919 1439 1530 2141 Reg. 6 year(s)	
		No Fixed Maturity Date  2007 HOIST / TITAN SERIES F220 (VIN: 28605)  General Collateral Description: ALL PERSONAL PROPERTY OF THE DEBTOR DESCRIBED HEREIN BY VEHICLE IDENTIFICATION NUMBER OR SERIAL NUMBER, AS APPLICABLE, WHEREVER SITUATED, TOGETHER WITH ALL PARTS AND ACCESSORIES RELATING THERETO, ALL ATTACHMENTS, ACCESSORIES AND ACCESSIONS THERETO OR								

THEREON, ALL REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS OF ALL OR ANY PART OF THE FOREGOING AND ALL PROCEEDS IN ANY FORM DERIVED THEREFROM.

	PAVACO PRODUCTS INC. HEMATITE MANUFACTURING INC.		699977457	20180801 1932 1531 2235 A AMENDMENT	
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Reason for Amendment:  
 ADD AN ADDITIONAL DEBTOR NAME TO THE REGISTRATION

Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
BDC CAPITAL INC.	PAVACO PLASTICS INC. PAVACO PRODUCTS INC. 1238579 ONTARIO INC. 2325373 ONTARIO INC. SILICONE RUBBER CANADA LTD. CANADIAN PAVACO INC. PAVACO HOLDINGS (U.S.) INC. HEMATITE AUTOMOTIVE PRODUCTS, INC. 1438161 ONTARIO INC. JOHN C PAVANEL		X	X	X	X	X	695208168 <b>PPSA</b>	20140414 1047 1862 9474 Reg. 5 year(s)	
		No Fixed Maturity Date								

	PAVACO PLASTICS INC.							695208168	20160811 1036 1862 3297	B RENEWAL Renew 5 year(s)	
	PAVACO PLASTICS INC. 2561389 ONTARIO INC.							695208168	20180215 1441 1862 6473	A AMENDMENT	
		Reason for Amendment: TO INCLUDE ADDITIONAL DEBTORS.									
	PAVACO PLASTICS INC.							695208168	20180215 1442 1862 6474	B RENEWAL Renew 7 year(s)	
	PAVACO PRODUCTS INC. HEMATITE MANUFACTURING INC.							695208168	20180606 1210 1862 4857	A AMENDMENT	
		Reason for Amendment: DEBTOR NAME CHANGE FROM PAVACO PRODUCTS INC. TO HEMATITE MANUFACTURING INC. PURSUANT TO ARTICLES OF AMENDMENT.									
	SILICONE RUBBER CANADA LTD. HEMATITE INDUSTRIAL PRODUCTS INC.							695208168	20180924 0931 1862 2729	A AMENDMENT	
		Reason for Amendment: DEBTOR NAME CHANGE FROM SILICONE RUBBER CANADA LTD. TO HEMATITE INDUSTRIAL PRODUCTS									

		INC. PURSUANT TO ARTICLES OF AMENDMENT FILED ON JUNE 28, 2018.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
TD EQUIPMENT FINANCE CANADA INC.	PAVACO PRODUCTS INC.  PAVACO PLASTICS INC.		X	X	X	X		684914886 <b>PPSA</b>	20130226 1703 1462 8866 Reg. 6 year(s)		
	PAVACO PRODUCTS INC.							684914886	20130305 1703 1462 0670  A AMENDMENT		
		Reason for Amendment: ADD SECOND ADDRESS									
	PAVACO PRODUCTS INC.  PAVACO PRODUCTS INC							684914886	20130306 1003 1462 0733  A AMENDMENT		
		Reason for Amendment: ADD SECOND ADDRESS									
	PAVACO PRODUCTS INC.							684914886	20140825 1511 1862 9180  J OTHER		
		SUBORDINATION/POSTPONEMENT  Reason for Amendment: SUBORDINATION OF SECURED PARTY TD EQUIPMENT FINANCE CANADA INC. IN FAVOUR OF SECURED PARTY WESTERN ONTARIO COMMUNITY FUTURES DEVELOPMENT CORPORATION ASSOCIATION IN REFERENCE FILE NUMBER 699164073, IN ACCORDANCE WITH THE PRIORITY AGREEMENT SIGNED AMONG THE PARTIES AND DATED AUGUST 7, 2014.									



TD EQUIPMENT FINANCE CANADA INC. (Assignor)	PAVACO PRODUCTS INC.						684914886	20160216 1001 1462 4556	D ASSIGNMENT
THE TORONTO- DOMINION BANK (Assignee)									
TD EQUIPMENT FINANCE CANADA, A DIVISION OF THE TORONTO-DOMINION BANK									
	PAVACO PRODUCTS INC.						684914886	20160422 1708 1462 7675	B RENEWAL Renew 2 year(s)
TORONTO DOMINION BANK	PAVACO PRODUCTS INC.						684914886	20160825 1408 1462 7038	A AMENDMENT
		Reason for Amendment: ADDING TD BANK AS ADDITIONAL SECURED PARTY							
	PAVACO PRODUCTS INC.						684914886	20180312 1403 1462 1599	B RENEWAL Renew 1 year(s)

	PAVACO PLASTICS INC. HEMATITE MANUFACTURING INC.								684914886	20200710 1435 1590 7282 A AMENDMENT	
		Reason for Amendment: AMENDMENT TO REFLECT THE NEW NAME OF THE DEBTOR PAVACO PLASTICS INC. TO HEMATITE MANUFACTURING INC.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
THE TORONTO- DOMINION BANK	PAVACO PLASTICS INC. PAVACO PRODUCTS INC. SILICONE RUBBER CANADA LTD. 1238579 ONTARIO INC.		X	X	X	X	X	673172469 <b>PPSA</b>	20110926 0923 1862 9606 Reg. 5 year(s)		
	PAVACO PRODUCTS INC.							673172469	20140825 1523 1862 9183 J OTHER		
		SUBORDINATION/POSTPONEMENT Reason for Amendment: SUBORDINATION AND PRIORITIES AGREEMENT DATED AUGUST 22, 2014 BETWEEN THE SECURED PARTY THE TORONTO-DOMINION BANK AND WESTERN ONTARIO COMMUNITY FUTURES DEVELOPMENT CORPORATION ASSOCIATION THE SECURED PARTY IN REFERENCE FILE NUMBER 699164073.									
	PAVACO PLASTICS INC.							673172469	20160718 1436 1530 9465 B RENEWAL Renew 5 year(s)		



		Amount Secured: \$43082.54								
		Maturity Date: December 18, 2021								
		2017 VOLVO XC90 (VIN: YV4A22PK6H1129977)								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
TOYOTA CREDIT CANADA INC.	PAVACO PLASTICS INC.	X		X		X	X	758807496 <b>PPSA</b>	20191223 1133 1532 4252 Reg. 04 year(s)	
		Maturity Date: March 17, 2023								
		2020 LEXUS NX300 (VIN: JTJSARDZ5L2227337)								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
VW CREDIT CANADA INC.	PAVACO PLASTICS INC.			X		X	X	756738198 <b>PPSA</b>	20191022 0909 1532 1929 Reg. 02 year(s)	
		Amount Secured: \$11282.58								
		Maturity Date: October 16, 2021								
		2017 HONDA CIVIC (VIN: 2HGFC2F56HH018642)								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments

		CG	I	E	A	O	MV			
VW CREDIT CANADA INC.	PAVACO PLASTICS INC	X				X	X	756759456 <b>PPSA</b>	20191022 1102 1532 2934 Reg. 02 year(s)	
		Amount Secured: \$46867.00  2017 AUDI Q7 KOMFORT (VIN: WA1AAAF70HD016077)								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
PENSKE TRUCK LEASING CANADA INC  LOCATIONS DE CAMIONS PENSKE CANADA INC	PAVACO PLASTICS INC			X		X	X	747866529 <b>PPSA</b>	20190125 1407 1462 0159 Reg. 3 year(s)	
		Caution Filing  2019 FTL T12664ST (VIN: 3AKJHLDV0KSKD4072)  General Collateral Description: TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO, INCLUDING, BUT NOT LIMITED TO XATA AND QUALCOMM SYSTEMS, AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
SCHERER LEASING INC.	PAVACO PLASTICS INC			X			X	747107127 <b>PPSA</b>	20181224 1230 1624 9165 Reg. 2 year(s)	

		Amount Secured: \$23011									
		Maturity Date: December 21, 2020									
		2015 FORD EDGE (VIN: 2FMTK4J96FBB93804)									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
SCHERER LEASING INC.	PAVACO PLASTICS INC			X			X	747074232 <b>PPSA</b>	20181221 1544 1624 9146 Reg. 3 year(s)		
		Amount Secured: \$65114									
		Maturity Date: December 12, 2021									
		2018 JEEP WRANGLER (VIN: 1C4HJXEG1JW114179)									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
SCHERER LEASING INC.	PAVACO PLASTICS INC			X			X	747074241 <b>PPSA</b>	20181221 1544 1624 9147 Reg. 3 year(s)		
		Amount Secured: \$25350									
		Maturity Date: December 13, 2021									
		2016 HONDA CRV (VIN: 2HKRM4H79GH104052)									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				

HONDA CANADA FINANCE INC.	PAVACO PLASTICS INC.	X		X				X	741523428 <b>PPSA</b>	20180712 1017 1532 0768 Reg. 03 year(s)		
		Amount Secured: \$28939										
		Maturity Date: June 14, 2021										
		2018 HONDA CIVIC (VIN: SHHFK7H44JU305362)										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments		
		CG	I	E	A	O	MV					
SCHERER LEASING INC.	PAVACO PLASTICS INC	X						X	737557047 <b>PPSA</b>	20180323 1545 1624 6700 Reg. 2 year(s)		
		Amount Secured: \$22489										
		Maturity Date: March 1, 2020										
		2014 CHRYSLER 300C AWD (VIN: 2C3CCASG5EH229155)										
	PAVACO PLASTICS INC								737557047	20200220 1612 1624 3188  B RENEWAL Renew 1 year(s)		
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments		
		CG	I	E	A	O	MV					
TOYOTA CREDIT CANADA INC.	PAVACO PLASTICS INC.	X		X		X	X		734148837 <b>PPSA</b>	20171120 1157 4085 3535 Reg. 03 year(s)		

		Maturity Date: November 13, 2020  2018 TOYOTA TUNDRA 4X4 (VIN: 5TFUY5F19JX696681)										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments		
		CG	I	E	A	O	MV					
ROYAL BANK OF CANADA	PAVACO PLASTICS INC.	X				X	X	717715836 <b>PPSA</b>	20160615 1940 1531 2925 Reg. 5 year(s)			
		No Fixed Maturity Date  2016 JEEP CHEROKEE (VIN: 1C4PJMAS0GW331106)										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments		
		CG	I	E	A	O	MV					
ROYAL BANK OF CANADA	PAVACO PLASTICS INC.		X	X	X	X		715622085 <b>PPSA</b>	20160413 1026 8077 4792 Reg. 10 year(s)			
		No Fixed Maturity Date  General Collateral Description: AS PER MASTER LEASE AGREEMENT DATED 12 APRIL 2016 TOGETHER WITH ALL INVENTORY AND EQUIPMENT NOW OR HEREAFTER ACQUIRED BY THE DEBTOR AND FINANCED BY THE SECURED PARTY TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS AND IMPROVEMENTS THERETO, AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALING WITH THE COLLATERAL OR PROCEEDS THEREOF, AND WITHOUT LIMITATION, MONEY, CHEQUES, DEPOSITS IN DEPOSIT-TAKING INSTITUTIONS, GOODS, ACCOUNTS RECEIVABLE, RENTS OR OTHER PAYMENTS ARISING FROM THE LEASE OF THE COLLATERAL, CHATTEL PAPER, INSTRUMENTS, INTANGIBLES, DOCUMENTS OF TITLE, SECURITIES, AND RIGHTS OF INSURANCE PAYMENTS OR ANY OTHER PAYMENTS AS INDEMNITY OR COMPENSATION FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.										



Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
NATIONAL LEASING GROUP INC.	PAVACO PLASTICS INC. 1238579 ONTARIO INC.  SILICONE RUBBER CANADA LTD.  2325373 ONTARIO INC.  PAVACO PRODUCTS INC.			X				714993633 <b>PPSA</b>	20160323 1225 6005 6704 Reg. 06 year(s)	
		General Collateral Description: ALL INDUSTRIAL & MANUFACTURING EQUIPMENT, GRANULATOR WITH ACCESSORIES OF EVERY NATURE OR KIND DESCRIBED IN AGREEMENT NUMBER 2760325, BETWEEN THE SECURED PARTY AND THE DEBTOR, AS AMENDED FROM TIME TO TIME, TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES AND SUBSTITUTIONS.								
NATIONAL LEASING GROUP INC. (Assignor)  CWB NATIONAL LEASING INC. (Assignee)	PAVACO PLASTIC INC.							714993633	20190227 1155 6005 8960  D ASSIGNMENT	
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
SCHERER LEASING INC	PAVACO PLASTICS INC			X			X	713172537 <b>PPSA</b>	20160107 1549 1624 9749 Reg. 3 year(s)	
		Amount Secured: \$59575  Maturity Date:								



ROYNAT INC.	PAVACO PRODUCTS INC. PAVACO PLASTICS INC.			X		X		710915787 <b>PPSA</b>	20151016 1150 1901 2781 Reg. 06 year(s)	
<p>General Collateral Description: THERMOFORMER(S), THERMOFORMING EQUIPMENT, BROWN QUAD SERIES THERMOFORMER MODEL FTS5476 SERIAL # 15964 TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL</p>										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
COAST CAPTIAL EQUIPMENT FINANCE LTD.	PAVACO PRODUCTS INC. PAVACO PLASTICS INC.			X				706540347 <b>PPSA</b>	20150528 1707 1462 5085 Reg. 6 year(s)	
<p>General Collateral Description: (1) NEW OEM N1 LINE DUAL COMMERCIAL OVEN MODS S/N 1441034-1 C/W (1) SET OF OEM N1 OVENLINE GEARBOX GEAR AND COUPLER S/N 1541013-1 &amp; OEM N1 MODOVENLINE ADDTL ITEMS S/N 1541003-1 TOGETHER WITH ALL ATTACHMENTS, ACCESSORIES, ACCESSIONS, REPLACEMENTS, SUBSTITUTIONS, ADDITIONS, AND IMPROVEMENTS THERETO, AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL OR PROCEEDS OF THE COLLATERAL AND A RIGHT TO ANY INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.</p>										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
ROYNAT INC.	PAVACO PRODUCTS INC. PAVACO PLASTICS INC.			X		X		701432586 <b>PPSA</b>	20141110 1151 1902 2499 Reg. 06 year(s)	
<p>General Collateral Description: C2 COMPOSITE LINE(S), WATERJET TRIMMING SYSTEM(S), (1) 2014 C2 COMPOSITE LINE SERIAL # FC126400-126400-01-14,(1)2014 DRS WJ-44 JETTTOOL QUAD ROBOT WATERJET TRIMMING SYSTEM SERIAL # 3434 TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS</p>										

		SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL								
	PAVACO PRODUCTS INC.							701432586	20151008 1316 1901 2258  B RENEWAL Renew 02 year(s)	
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
ROYNAT INC.	PAVACO PRODUCTS INC PAVACO PLASTICS INC			X		X		693491769 <b>PPSA</b>	20140130 1633 1902 8006 Reg. 06 year(s)	
		General Collateral Description: THERMAL FORMING SYSTEM(S), ONE (1) NEW N2 THERMAL FORMING SYSTEM W / HEMATITE SUPPLIED PRESS KQ 130705-1-RS-C AND ONE (1) NEW QUAD ROBOT WATERJET CUTTING CELL SERIAL # CC00009 TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL								
	PAVACO PRODUCTS INC							693491769	20151008 1315 1902 5154  B RENEWAL Renew 02 year(s)	
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
BUSINESS DEVELOPMENT BANK OF CANADA	PAVACO PLASTICS INC. (Corp. No.: 1817811) PAVACO PRODUCTS INC.		X	X	X	X	X	678500748 <b>PPSA</b>	20120518 1454 1862 9320 Reg. 22 year(s)	

	(Corp. No.: 2043427)  SILICONE RUBBER CANADA LTD. (Corp. No.: 2237706)										
		General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY.									
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments	
		CG	I	E	A	O	MV				
BUSINESS DEVELOPMENT BANK OF CANADA	PAVACO PLASTICS INC.		X	X	X	X	X	651971997 <b>PPSA</b>	20090310 1618 2611 7003 Reg. 17 year(s)		
		General Collateral Description: THIS IS A RE-REGISTRATION OF F19LE REFERENCE NO. 832284081. ORIGINALLY REGISTERED ON OR ABOUT JULY 1997.									
	PAVACO PLASTICS INC.							651971997	20091203 1535 1862 1201  B RENEWAL Renew 3 year(s)		
	PAVACO PLASTICS INC.							651971997	20140912 1546 1862 0587  J OTHER		
		SUBORDINATION/POSTPONEMENT  Reason for Amendment: REGISTRATION NUMBER 20090310 1618 2611 7003 IS SUBJECT TO A SUBORDINATION AGREEMENT DATED OCTOBER 26, 2011 IN FAVOUR OF THE TORONTO-DOMINION BANK									

Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
THE TORONTO-DOMINION BANK	PAVACO PRODUCTS INC.				X	X		736028685 <b>PPSA</b>	20180129 1344 1862 5114 Reg. 5 year(s)	
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
THE TORONTO-DOMINION BANK	PAVACO PRODUCTS INC.			X		X		722777679 <b>PPSA</b>	20161124 1003 1462 5263 Reg. 5 year(s)	
TD EQUIPMENT FINANCE CANADA, A DIVISION OF THE TORONTO-DOMINION BANK										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
BUSINESS DEVELOPMENT BANK OF CANADA	PAVACO PRODUCTS INC.		X	X	X	X	X	637258167 <b>PPSA</b>	20070713 1407 1590 8239 Reg. 18 year(s)	
	PAVACO PRODUCTS INC.							637258167	20091201 1156 1862 0900  B RENEWAL Renew 4 year(s)	
	PAVACO PRODUCTS INC.							637258167	20140912 1546 1862 0588  J OTHER	

		<p>SUBORDINATION/POSTPONEMENT</p>
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Reason for Amendment:  
REGISTRATION NUMBER 20070713 1407 1590 8239 IS SUBJECT TO A SUBORDINATION AGREEMENT  
DATED OCTOBER 26, 2011 IN FAVOUR OF THE TORONTO-DOMINION BANK

**APPENDIX C**

**PPSA (Ontario) – Hematite Industrial Products Inc.**

Summary of Encumbrances Under the *Personal Property Security Act* (Ontario)  
 Currency Date: September 10, 2020

Searches were conducted under the following name:  
**Hematite Industrial Products Inc.**  
**Silicone Rubber Canada Ltd.**

Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
ULI CANADA INC. FIFTH THIRD BANK	HEMATITE INDUSTRIAL PRODUCTS INC.		X	X				753639912 <b>PPSA</b>	20190723 1320 1902 5939 Reg. 05 year(s) Expires 7/23/2024	
		Amount Secured: \$194872  General Collateral Description: LEASE #250118-0001 VENDOR ETSM TECHNICAL SERVICES LTD 1 MANUFACTURE PUCK TRIMMER 1 MANUFACTURE PUCK CHARGE SHEAR ASSEMBLY 1 PRESS MODIFICATION 2 TO INCLUDE TWO PLATENS 12 HOCKEY PUCK COOLING TRAY 42 " 2 PIECES REAR PRESS STOP FOR PERFORMER PRESS BAUER VENDOR MACHINE CONTROL SYSTEMS 1 ADD 1 ADDITIONAL PLATEN TO A 2 HEATED PLATEN PRESS, INCLUDES INSTALLATION VENDOR PROCESS HEATERS INC. 14 RST CSAA335 - CHANNEL STRIP HEATER - QQ12576 480 VAC, 1500 WATTS 3/8" TK X 1 1/2 " WIDTH X 32" LONG NO TABS & NO SLOTS 18" LEADS IN 17" WIRE BRAID LEADS EXIT OUT OF WIDTHS EDGE CSA APPROVAL FOR TEMPERATURES TO 200 DEG. C 8 H440-7-1-NI - BAYONET ADAPTER 1/8" NPT X 7/8" LONG NICKEL PLATED STEEL 248 J-20S- GG - THERMOCOUPLE GRADE WIRE TYPE J, 20 GAUGE STRANDED FIBERGLASS/FIBERGLASS PROTECTION 500 MGT-16GA - HIGH TEMP POWER WIRE - T1834 450 C, 600 VAC. 16 GAUGE COSTING PER FOOT 3 160-5S-1/2 - HIGH TEMP FIBERGLASS TAPE 1" WIDTH X 36 YARDS VENDOR R & Y TOOL AND DIE CO. LIMITED 1 MODEL #49- CAVITY PUCK MOLD 053019 ADDITIONAL COLLATERAL 1 BOWER PRESS #1 YTR 2003 DEW98 WG42, 4 COLUMN TRIM PRESS, 60 TON CAPACITY, 48 INCH X 90 INCH UPRISING BED, 575 VOLT SUPPLY COMPLETE WITH SAFETY CURTAIN. 1703 1 PRESS 2 850 TON CAPACITY UP ACTING 30 INCH RAM, SLAB SIDE, 32X32 INCH ELECTRIC PLATEN COMPLETE WITH SAFETY CURTAIN, XP-2947 BUILT IN 1995 15162 ANY EQUIPMENT DETAILED IN THE AFOREMENTIONED LEASE AGREEMENT AND PROCEEDS THEREOF.								



Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
BUSINESS DEVELOPMENT BANK OF CANADA	PAVACO PLASTICS INC. (Corp. No.: 001817811)		X	X	X	X	X	719218854 <b>PPSA</b>	20160803 1114 1862 2759 Reg. 25 year(s) Expires 8/3/2043	
	PAVACO PRODUCTS INC. (Corp. No.: 002043427)									
	SILICONE RUBBER CANADA LTD. (Corp. No.: 002237706)									
		No Fixed Maturity Date								
		General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY.								
	PAVACO PLASTICS INC.							719218854	20160803 1120 1862 2761	
									B RENEWAL Renew 2 year(s)	
	PAVACO PLASTICS INC.							719218854	20181024 1603 2611 4854	A AMNDMNT
	HEMATITE INDUSTRIAL PRODUCTS INC.									
	HEMATITE MANUFACTURING INC.									
		Reason for Amendment: TO RECORD DEBTORS' NAME CHANGE VIA ARTICLES OF AMENDMENT? SILICONE RUBBER CANADA LTD. TO HEMATITE INDUSTRIAL PRODUCTS INC. EFFECTIVE JUNE 28, 2018 AND PAVACO PRODUCTS INC. TO HEMATITE MANUFACTURING INC. EFFECTIVE MAY 16, 2018								

Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
BUSINESS DEVELOPMENT BANK OF CANADA	PAVACO PLASTICS INC. (Corp. No.: 001817811)		X	X	X	X	X	719218827 <b>PPSA</b>	20160803 1112 1862 2757	Reg. 21 year(s) Expires 8/14/2020
	PAVACO PRODUCTS INC. (Corp. No.: 002043427)							<i>*DISCHARGED</i>		
	SILICONE RUBBER CANADA LTD. (Corp. No.: 002237706)									
		No Fixed Maturity Date								
		General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY.								
	PAVACO PLASTICS INC.							719218827	20181025 1031 2611 4857	A AMNDMNT
	HEMATITE INDUSTRIAL PRODUCTS INC.									
	HEMATITE MANUFACTURING INC.									
		Reason for Amendment: TO RECORD DEBTORS' NAME CHANGE VIA ARTICLES OF AMENDMENT? SILICONE RUBBER CANADA LTD. TO HEMATITE INDUSTRIAL PRODUCTS INC. EFFECTIVE JUNE 28, 2018 AND PAVACO PRODUCTS INC. TO HEMATITE MANUFACTURING INC. EFFECTIVE MAY 16, 2018								
	PAVACO PLASTICS INC.							719218827	20200814 1438 2611 8554	C DISCHRG
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			

<p>BDC CAPITAL INC.</p>	<p>PAVACO PLASTICS INC.                  PAVACO PRODUCTS INC.                  1238579 ONTARIO INC.                  2325373 ONTARIO INC.                  SILICONE RUBBER CANADA LTD.                  CANADIAN PAVACO INC.                  PAVACO HOLDINGS (U.S.) INC.                  HEMATITE AUTOMOTIVE PRODUCTS, INC.                  1438161 ONTARIO INC.                  JOHN C PAVANEL</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>X</p>	<p>695208168  <b>PPSA</b></p>	<p>20140414 1047 1862                  9474                  Reg. 5 year(s)                  Expires 4/14/2031</p>		
		<p>No Fixed Maturity Date</p>									
	<p>PAVACO PLASTICS INC.</p>								<p>695208168</p>	<p>20160811 1036 1862                  3297                  B RENEWAL                  Renew 5 year(s)</p>	
	<p>PAVACO PLASTICS INC.                  2561389 ONTARIO INC.</p>								<p>695208168</p>	<p>20180215 1441 1862                  6473                  A AMNDMNT</p>	
		<p>Reason for Amendment:                  TO INCLUDE ADDITIONAL DEBTORS.</p>									

	PAVACO PLASTICS INC.								695208168	20180215 1442 1862 6474	B RENEWAL Renew 7 year(s)	
	PAVACO PRODUCTS INC. HEMATITE MANUFACTURING INC.								695208168	20180606 1210 1862 4857	A AMNDMNT	
		Reason for Amendment: DEBTOR NAME CHANGE FROM PAVACO PRODUCTS INC. TO HEMATITE MANUFACTURING INC. PURSUANT TO ARTICLES OF AMENDMENT.										
	SILICONE RUBBER CANADA LTD. HEMATITE INDUSTRIAL PRODUCTS INC.								695208168	20180924 0931 1862 2729	A AMNDMNT	
		Reason for Amendment: DEBTOR NAME CHANGE FROM SILICONE RUBBER CANADA LTD. TO HEMATITE INDUSTRIAL PRODUCTS INC. PURSUANT TO ARTICLES OF AMENDMENT FILED ON JUNE 28, 2018.										
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments		
		CG	I	E	A	O	MV					
THE TORONTO-DOMINION BANK	PAVACO PLASTICS INC. PAVACO PRODUCTS INC. SILICONE RUBBER CANADA LTD. 1238579 ONTARIO INC.		X	X	X	X	X	673172469 <b>PPSA</b>	20110926 0923 1862 9606 Reg. 5 year(s) Expires 9/26/2021			

	PAVACO PRODUCTS INC.							673172469	20140825 1523 1862 9183	J OTHER
		SUBORDINATION/POSTPONEMENT								
		Reason for Amendment: SUBORDINATION AND PRIORITIES AGREEMENT DATED AUGUST 22, 2014 BETWEEN THE SECURED PARTY THE TORONTO-DOMINION BANK AND WESTERN ONTARIO COMMUNITY FUTURES DEVELOPMENT CORPORATION ASSOCIATION THE SECURED PARTY IN REFERENCE FILE NUMBER 699164073.								
	PAVACO PLASTICS INC.							673172469	20160718 1436 1530 9465	B RENEWAL Renew 5 year(s)
	1238579 ONTARIO INC.							673172469	20160803 1114 1862 2758	J OTHER
		SUBORDINATION/POSTPONEMENT								
		Reason for Amendment: FILE NO. 673172469 WILL SUBORDINATE TO FILE NO. 678500757.								
	PAVACO PLASTICS INC.  HEMATITE MANUFACTURING INC.  HEMATITE INDUSTRIAL PRODUCTS INC.							673172469	20200318 1241 1590 9671	A AMNDMNT
		Reason for Amendment: TO AMEND REGISTRATION TO REFLECT THE NEW NAMES OF DEBTOR 2 (PAVACO PRODUCTS INC.) AND DEBTOR 3 (SILICONE RUBBER CANADA LTD.)								



Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
BUSINESS DEVELOPMENT BANK OF CANADA	PAVACO PLASTICS INC. (Corp. No.: 1817811)  PAVACO PRODUCTS INC. (Corp. No.: 2043427)  SILICONE RUBBER CANADA LTD. (Corp. No.: 2237706)		X	X	X	X	X	678500748 <b>PPSA</b>	20120518 1454 1862 9320 Reg. 22 year(s) Expires 5/18/2034	
		General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY.								
Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
BUSINESS DEVELOPMENT BANK OF CANADA	SILICONE RUBBER CANADA LTD. (Corp. No.: 2237706)		X	X	X	X	X	667576251 <b>PPSA</b>	20110208 1113 1862 2196 Reg. 18 year(s) Expires 2/8/2029	
		General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY								
	SILICONE RUBBER CANADA LTD.							667576251	20140912 1546 1862 0586  J OTHER	
		SUBORDINATION/POSTPONEMENT  Reason for Amendment: REGISTRATION NUMBER 20110208 1113 1862 2196 IS SUBJECT TO A SUBORDINATION AGREEMENT DATED OCTOBER 26, 2011 IN FAVOUR OF THE TORONTO-DOMINION BANK.								

Secured Party	Debtor(s)	Collateral Class.						File No.	Reg. No.	Comments
		CG	I	E	A	O	MV			
BUSINESS DEVELOPMENT BANK OF CANADA	SILICONE RUBBER CANADA INC. (Corp. No.: 2131138)		X	X	X	X	X	657916227 <b>PPSA</b>	20091201 1137 1862 0897 Reg. 20 year(s) Expires 12/1/2029	
		General Collateral Description: ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY								



**APPENDIX D**

**PPSA (Ontario) – Canadian Pavaco Inc.**

**Summary of Encumbrances Under the *Personal Property Security Act (Ontario)***

Currency Date: September 16, 2020

Searches were conducted under the following name:

**Canadian Pavaco Inc.**

No.	File No.	Base Registration No.	Registration Period (yrs.)	Expiry Date	Debtor(s) Name	Secured Party	Collateral Classification	Collateral Description
1.	695208168	20140414 1047 1862 9474	7	Apr. 14, 2031	HEMATITE MANUFACTURING INC. 2325373 ONTARIO INC. CANADIAN PAVACO INC. HEMATITE AUTOMOTIVE PRODUCTS, INC. 1438161 ONTARIO INC. PAVACO PLASTICS INC. HEMATITE INDUSTRIAL PRODUCTS INC.	BDC CAPITAL INC.	Inventory, Equipment, Accounts, Other, MV Included	

**APPENDIX E**

**UCC (DE, OH, MI) – Pavaco Holdings U.S. Inc.**

**Summary of Encumbrances Under the *Uniform Commercial Code* (DE, OH, MI)**

Searches were conducted under the following name:

**Pavaco Holdings U.S. Inc.**

<u>Jurisdiction</u>	<u>Filing No.</u>	<u>Filing Date</u>	<u>Expiration Date</u>	<u>Debtor</u>	<u>Secured Party</u>	<u>Lien Summary</u>	<u>Search Through Date</u>
Secretary of State, DE	20181115159	02/16/2018	02/16/2023	Pavaco Holdings U.S. Inc.	BDC Capital Inc.	All assets	08/21/2020
Secretary of State, DE	20205498904	08/10/2020	08/10/2025	Pavaco Holdings U.S. Inc.	BDC Capital Inc.	All right, title and interest in and to all personal property and fixtures of the Debtor, whether now owned or existing or hereafter created, acquired or arising	08/21/2020

**APPENDIX F**

**UCC (DE, OH, MI) – Hematite, Inc.**

**Summary of Encumbrances Under the *Uniform Commercial Code* (DE, OH, MI)**

Searches were conducted under the following name:  
**Hematite, Inc.**

<u>Jurisdiction</u>	<u>Filing No.</u>	<u>Filing Date</u>	<u>Expiration Date</u>	<u>Debtor</u>	<u>Secured Party</u>	<u>Lien Summary</u>	<u>Search Through Date</u>
Secretary of State, OH	OH002119967S1	Originally filed on 06/15/2017; amended on 12/13/2017	06/15/2022	Hematite, Inc.	JobsOhio	All of Debtors right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired: (a) all equipment and machinery in which the Debtor has an interest of any kind related to the Project Ste (300 Lau Parkway, Englewood, Ohio); and (b) all Proceeds and products of each of the foregoing, al books and records relating to the foregoing, al supporting obligations related thereto, and all additions, attachments, accessions to. substitutions and replacements for, and rents. profits and products of. each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to the Debtor from time to time with respect to any of the foregoing.	08/25/2020

<u>Jurisdiction</u>	<u>Filing No.</u>	<u>Filing Date</u>	<u>Expiration Date</u>	<u>Debtor</u>	<u>Secured Party</u>	<u>Lien Summary</u>	<u>Search Through Date</u>
Secretary of State, OH	OHO0217326233	12/13/2017	12/13/2022	Hematite, Inc.	Key Equipment Finance, A Division of KeyBank NA	Specific equipment	08/25/2020
Secretary of State, OH	OH00218884458	Originally filed on 02/16/2018; amended on 02/16/2018; amended on 10/16/2018	02/16/2023	Hematite, Inc.	The Toronto-Dominion Bank	All assets and personal property...	08/25/2020
Secretary of State, OH	OH00219022392	02/23/2018	02/23/2023	Hematite, Inc.	De Lage Landen Financial Services, Inc.	Specific leased equipment	08/25/2020
Secretary of State, OH	OH00223913882	08/10/2018	08/10/2023	Hematite, Inc.	Deere & Company	John Deere equipment	08/25/2020
Secretary of State, OH	OHO0224572243	09/06/2018	09/06/2023	Hematite, Inc.	Toyota Industries Commercial Finance, Inc.	Toyota forklift	08/25/2020
Secretary of State, OH	OHO0224572465	09/06/2018	09/06/2023	Hematite, Inc.	Toyota Industries Commercial Finance, Inc.	Toyota forklift	08/25/2020
Secretary of State, OH	OHO0224802191	09/17/2018	09/17/2023	Hematite, Inc.	Reko International Group Inc.	Specific equipment and materials	08/25/2020
Secretary of State, OH	OH00224926830	09/21/2018	09/21/2023	Hematite, Inc.	Reko International Group Inc.	Specific equipment and materials	08/25/2020
Secretary of State, OH	OH00224985117	09/25/2018	09/25/2023	Hematite, Inc.	Reko International Group Inc.	Specific equipment and materials	08/25/2020
Secretary of State, OH	OH00225343431	10/09/2018	10/09/2023	Hematite, Inc.	Deere & Company	John Deere equipment	08/25/2020

<u>Jurisdiction</u>	<u>Filing No.</u>	<u>Filing Date</u>	<u>Expiration Date</u>	<u>Debtor</u>	<u>Secured Party</u>	<u>Lien Summary</u>	<u>Search Through Date</u>
Secretary of State, OH	OH00225343653	10/09/2018	10/09/2023	Hematite, Inc.	Deere & Company	Curtis equipment	08/25/2020
Secretary of State, OH	OHO0226240626	11/14/2018	11/14/2023	Hematite, Inc.	Wells Fargo Bank, N.A.	Taylor forklift	08/25/2020
Secretary of State, OH	OH00228903371	03/13/2019	03/13/2024	Hematite, Inc.	Engs Commercial Finance Co.	Specific equipment	08/25/2020
Secretary of State, OH	OH00232222363	Originally filed on 07/03/2019; amended on 07/30/2019	07/03/2024	Hematite, Inc.	Siemens Financial Services, Inc.	Specific equipment	08/25/2020
Secretary of State, OH	OH00233727930	Originally filed on 09/04/2019; amended on 06/05/2020	09/04/2024	Hematite, Inc.	Key Equipment Finance, A Division of KeyBank NA	Specific equipment	08/25/2020
Secretary of State, OH	OH00233811646	09/06/2019	09/06/2024	Hematite, Inc.	Engs Commercial Finance Co.	Specific equipment	08/25/2020
Secretary of State, OH	OH00237702902	02/24/2020	02/24/2025	Hematite, Inc.	Reko International Group Inc.	Specific equipment	08/25/2020
Secretary of State, OH	OH00238800901	04/09/2020	04/09/2025	Hematite, Inc.	Reko International Group Inc.	Specific equipment	08/25/2020
Secretary of State, OH	OH00240052362	05/19/2020	05/19/2025	Hematite, Inc.	Reko International Group Inc.	Specific equipment	08/25/2020
Secretary of State, OH	OH00240912649	06/03/2020	06/03/2025	Hematite, Inc.	Toyota Industries Commercial Finance, Inc.	Toyota forklift	08/25/2020

<u>Jurisdiction</u>	<u>Filing No.</u>	<u>Filing Date</u>	<u>Expiration Date</u>	<u>Debtor</u>	<u>Secured Party</u>	<u>Lien Summary</u>	<u>Search Through Date</u>
Secretary of State, OH	OH00244150405	07/23/2020	07/23/2025	Hematite, Inc.	Majestic Industries, LLC	Specific equipment	08/25/2020
Secretary of State, OH	OH00245096622	08/10/2020	08/10/2025	Hematite, Inc.	BDC Capital Inc.	All right, title and interest in and to all personal property and fixtures of the Debtor, whether now owned or existing or hereafter created, acquired or arising	08/25/2020
Secretary of State, OH	OH00245200039	08/11/2020	08/11/2025	Hematite, Inc.	BDC Capital Inc.	All right, title and interest in and to all personal property and fixtures of the Debtor, whether now owned or existing or hereafter created, acquired or arising	08/25/2020

**APPENDIX G**

**UCC (DE, OH, MI) – Hematite Automotive Products, Inc.**

**Summary of Encumbrances Under the *Uniform Commercial Code* (DE, OH, MI)**

Searches were conducted under the following name:

**Hematite Automotive Products Inc.**

<u>Jurisdiction</u>	<u>Filing No.</u>	<u>Filing Date</u>	<u>Expiration Date</u>	<u>Debtor</u>	<u>Secured Party</u>	<u>Lien Summary</u>	<u>Search Through Date</u>
Department of State, MI	20180216000440-6	02/16/2018	02/16/2023	Hematite Automotive Products Inc.	BDC Capital Inc.	All assets	08/27/2020

This is **Exhibit “O”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits



## PLAN SPONSOR AGREEMENT

THIS PLAN SPONSOR AGREEMENT is dated as of September 17, 2020

BETWEEN:

**HEMATITE HOLDINGS INC.**, a corporation incorporated under the laws of the Province of Ontario ("**Hematite Holdings**")

- and -

**CANADIAN PAVACO INC.**, a corporation incorporated under the laws of the Province of Ontario ("**Canadian Pavaco**")

- and -

**HEMATITE MANUFACTURING INC.**, a corporation incorporated under the laws of the Province of Ontario ("**Hematite Manufacturing**")

- and -

**PAVACO HOLDINGS (U.S.) INC.**, a corporation incorporated under the laws of the State of Delaware ("**US Pavaco**")

- and -

**HEMATITE AUTOMOTIVE PRODUCTS, INC.**, a corporation incorporated under the laws of the State of Michigan ("**HAPI**")

- and -

**HEMATITE, INC.**, a corporation incorporated under the laws of the State of Ohio ("**Hematite US**")

- and -

**2561389 ONTARIO INC.**, a corporation incorporated under the laws of the Province of Ontario ("**2561489** ")

- and -

**HEMATITE R.E. 1, INC.**, a corporation incorporated under the laws of the State of Ohio ("**RE 1**")

- and -

**HEMATITE INDUSTRIAL PRODUCTS INC.**, a corporation incorporated under the laws of the Province of Ontario ("**HIPI**")

- and -

**WOODBIDGE FOAM CORPORATION**, a corporation incorporated under the laws of the Province of Ontario ("**Plan Sponsor**")

**RECITALS:**

- A. Hematite Holdings is:
- (i) the owner of all of the outstanding shares, directly or indirectly, of Canadian Pavaco, Hematite Manufacturing, US Pavaco, HAPI and Hematite US;
  - (ii) the indirect owner of all of the outstanding voting shares of 2561389, which in turn owns all of the outstanding shares of R.E. 1; and
  - (iii) an affiliate of HIPI,
- (collectively, with Hematite Holdings, the "**Hematite Group**").
- B. Hematite Holdings and Woodbridge Foam Corporation ("**Woodbridge**") entered into a letter of intent dated August 19, 2020 (the "**LOI**") summarizing the terms and conditions pursuant to which Woodbridge or its affiliate was prepared to sponsor a court supervised financial restructuring of the Hematite Group which would result in Woodbridge or its affiliate acquiring the post-restructuring equity of Hematite Holdings.
- C. The Plan Sponsor and Hematite Holdings (the "**parties**") desire to implement the transactions contemplated by the LOI and the parties have therefore entered into this Plan Sponsor Agreement.

**SECTION 1  
THE TRANSACTION AND CCAA PLAN**

- 1.1 Subject to the terms hereof and as further described in Section 1.5, the parties agree to use commercially reasonable efforts to effect a financial restructuring of the Hematite Group pursuant to a plan of arrangement (such plan to be on terms and conditions satisfactory to the parties acting reasonably, the "**CCAA Plan**") in proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**"), on the terms set out in and consistent in all material respects with the LOI and this Agreement (the "**Transaction**").
- 1.2 The agreement of the parties is conditional upon the following orders being obtained by the following dates (and not thereafter being appealed or if appealed, the appeal being disposed of on terms satisfactory to the parties):
- (a) by September 18, 2020, such members of the Hematite Group (the "**Hematite CCAA Applicants**") as agreed upon by the parties obtaining an initial order from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the CCAA, including a stay of proceedings for 10 days, appointing KPMG Inc. as monitor (the "**Monitor**"), approving a super-priority DIP financing charge (the "**DIP Charge**") in favour of the Plan Sponsor with the priority and in an amount agreed upon by the parties, and such other relief as may be agreed upon by the parties (the "**Initial Order**"), all in form and substance satisfactory to the parties, acting reasonably;
  - (b) by September 28, 2020, an order of the Court (the "**Amended and Restated Initial Order**") extending the stay of proceedings, increasing the amount of the DIP Charge as

required based upon cashflows reviewed and approved by the Monitor and the Plan Sponsor, and such other relief agreed upon by the parties, all in form and substance satisfactory to the parties, acting reasonably;

- (c) by October 9, 2020, an order of the Court (the "**Claims Procedure Order**") establishing a process to determine and confirm the quantum of claims asserted against the Hematite CCAA Applicants, including the unsecured claims to be compromised under the CCAA Plan and such other relief agreed upon by the parties, all in form and substance satisfactory to the parties, acting reasonably;
- (d) by November 13, 2020, an order of the Court (the "**Plan Filing and Meeting Order**") authorizing the filing of the CCAA Plan and the conduct of a meeting of creditors affected thereby to vote on the CCAA Plan and such other relief agreed to by the parties, all in form and substance satisfactory to the parties, acting reasonably;
- (e) by December 18, 2020, an order of the Court (the "**Plan Sanction Order**") sanctioning the CCAA Plan after it is approved by the required majorities of affected creditors pursuant to the CCAA and such other relief agreed upon by the parties, all in form and substance satisfactory to the parties, acting reasonably; and
- (f) such further orders as and when required that recognize the CCAA proceeding and the orders of the Court granted thereunder or otherwise to grant protection and a stay of proceedings in other jurisdictions where the property of the Hematite Group is located, as the Plan Sponsor and Hematite Holdings may deem necessary or advisable, including in the United States pursuant to Chapter 15, Title 11 of the U.S. Bankruptcy Code on advice of U.S. counsel.

1.3 The obligations of the Plan Sponsor to fund or continue funding its commitments are subject to following conditions precedent for the benefit of the Plan Sponsor:

- (a) the execution of definitive assignment and settlement agreements or other arrangements with each of (i) The Toronto-Dominion Bank and (ii) Business Development Bank of Canada, as secured lenders to the Hematite Group, each in a form satisfactory to the Plan Sponsor;
- (b) the receipt of customer support and consent agreements from the key customers of the Hematite Group, each in a form satisfactory to the Plan Sponsor;
- (c) the receipt of cash flow reports as reviewed and approved by the Monitor and satisfactory to the Plan Sponsor;
- (d) the entering into by John Pavanel of a non-competition and non-solicitation agreement in favour of the Plan Sponsor and Hematite Holdings for a period of 5 years from the date of the implementation of the CCAA Plan (the "**Closing**");
- (e) the delivery of executed employment agreements with senior management and other key employees of the Hematite Group to be retained following Closing that are on terms that are satisfactory to the Plan Sponsor;
- (f) the disclaimer without objection (or where objected to, such disclaimer is approved by the Court) in the CCAA proceeding of any leases or other agreements determined by the

Hematite Group and the Plan Sponsor not to be required for the ongoing business of the Hematite Group and renewals of lease agreements or new lease agreements required by the Hematite Group following Closing will be entered into with applicable landlords on terms satisfactory to the Plan Sponsor;

- (g) the Hematite Group will own all equipment reasonably necessary to carry on its business in the ordinary course and generate the revenue reflected in its financial statements, free and clear of all liens and encumbrances other than operating leases and any other permitted encumbrances satisfactory to the Plan Sponsor, acting reasonably;
  - (h) there shall have been no material adverse change in the financial condition, property, prospects or operations of the Hematite Group prior to Closing;
  - (i) the business of the Hematite Group will be operated in the normal course, consistent with past practice, until Closing;
  - (j) all third-party approvals or consents or government or regulatory filings, permits or approvals required to implement the CCAA Plan are received in a form satisfactory to the parties;
  - (k) management of the Hematite Group will meet regularly with the Plan Sponsor to ensure that the Hematite Group complies with the terms and conditions of this Agreement and conducts its day-to-day operations in collaboration with the Plan Sponsor's dedicated restructuring team in order to ensure the successful turnaround of the Hematite Group;
  - (l) all suppliers, landlords, equipment lessors and other parties necessary to the continuing operation of the Hematite Group's business shall continue to provide goods, services, equipment and premises on current terms or terms otherwise satisfactory to the Plan Sponsor; and
  - (m) implementation of the CCAA Plan will have occurred by no later than December 31, 2020 (the "**Outside Date**").
- 1.4 The Hematite CCAA Applicants will file a motion to apply for the Initial Order contemplated by Section 1.2(a) in time sufficient to obtain the Initial Order by deadline contemplated in Section 1.2(a), and all members of the Hematite Group and their affiliates shall publicly and privately support of the terms thereof.
- 1.5 Subject to the terms set out herein and the satisfaction or waiver, in the Plan Sponsor's sole discretion, of the conditions set out herein, the Plan Sponsor agrees to:
- (a) provide Hematite Holdings with up to \$6 million as interim financing ("**DIP Financing**") pursuant to a revolving DIP loan agreement satisfactory to the parties for the purpose of allowing the Hematite Group to meet its immediate cash needs after the Initial Order, by way of a revolving loan to Hematite Holdings by the Plan Sponsor, to be secured by a court-ordered charge over all of property, assets and undertaking of the Hematite Group which, for greater certainty shall rank ahead of all existing secured claims against any member of the Hematite Group other than any permitted prior-ranking encumbrances agreed to by the Plan Sponsor that are expressly contemplated in the Initial Order. Such DIP Financing shall be used by the Hematite Group toward the costs of its restructuring, including payment of professional fees and expenses and its working capital requirements

during the pendency of its CCAA proceeding, subject to the Hematite Group achieving the cashflow forecasts as reviewed by the Monitor and approved by the Plan Sponsor, and the Hematite Group maintaining all of its material production contracts with its customers. The proceeds of the DIP Financing will be disbursed in accordance with weekly cashflow forecasts approved by the Monitor and the Plan Sponsor;

- (b) provide Hematite Holdings with an amount of money to be determined in consultation with Hematite Holdings and its secured lenders, to settle or acquire the claims and security of its secured lenders;
  - (c) provide Hematite Holdings with an amount of money to be determined in consultation with Hematite Holdings, to fund a cash pool to be used to settle the unsecured claims against the Hematite Group pursuant the CCAA Plan, which unsecured claims will be compromised and extinguished by the CCAA Plan, on terms that are satisfactory to the Plan Sponsor. This funding will be provided by the Plan Sponsor or its affiliate in exchange for new equity of Hematite Holdings to be issued to the Plan Sponsor or its affiliate upon implementation of the CCAA Plan, as set out in subsection (d) below;
  - (d) provide the funding described in Section 1.5(c) pursuant to a subscription agreement satisfactory to the parties, in exchange for new equity of Hematite Holdings and HIPI to be issued to the Plan Sponsor upon implementation of the CCAA Plan, wherein all existing equity of Hematite Holdings and HIPI will be cancelled for no consideration;
  - (e) cooperate with the Hematite Group in good faith and use commercially reasonable efforts to complete, and to assist the Hematite Group in completing, the transactions and steps described in Sections 1.2 and 1.3 by the deadlines associated with those steps (where applicable).
- 1.6 If the CCAA Plan fails because any required creditor approval is not obtained or if it is determined by the parties, each acting reasonably, that for any other reason it is no longer viable to implement the Transaction pursuant to the CCAA Plan, the parties will use commercially reasonable efforts to implement the material elements of the Transaction pursuant to an alternative transaction structure acceptable to the parties, each acting reasonably, so long as such alternative transaction would not result in a completion date later than the Outside Date and the alternative transaction is on terms and conditions no less favourable to the Plan Sponsor and to the Hematite Group, its creditors and its other stakeholders. In the event that the transaction structure is so modified, the relevant provisions of this Agreement will be modified as necessary in order that they will apply with full force and effect, *mutatis mutandis*, but with the adjustments necessary to reflect the revised transaction structure, and the parties hereto will negotiate in good faith with a view to executing and delivering an agreement in writing giving effect to and evidencing such amendments as may be reasonably required as a result of such modifications and adjustments.
- 1.7 The Plan Sponsor acknowledges and agrees that it is acquiring the equity of Hematite Holdings pursuant to the CCAA Plan on an “as is, where is” basis and on the basis that the Plan Sponsor has conducted to its satisfaction an independent inspection, investigation and verification of the Hematite Group and its assets, liabilities and business and all other relevant matters and has determined to proceed with the Transaction (subject to the conditions set out in this Agreement).

## SECTION 2 TERMINATION

- 2.1 This Agreement may be terminated, by notice given prior to the date of Closing:
- (a) by Hematite Holdings or the Plan Sponsor if a material breach of any representation, warranty, covenant obligation or other provision of this Agreement has been committed by the other party, unless such breach is capable of being cured by the Outside Date and the other party is proceeding diligently to cure such breach following notification of such breach;
  - (b) by the Plan Sponsor if a condition in Section 1.2 or Section 1.3 becomes impossible to satisfy by the Outside Date (other than through the failure of the Plan Sponsor to comply with its obligations under this Agreement) and the Plan Sponsor has not waived such condition;
  - (c) by Hematite Holdings if a condition in Section 1.2 or in Section 1.3(j) or (m) becomes impossible to satisfy by the Outside Date (other than through the failure of Hematite Holdings to comply with its obligations under this Agreement) and, in the case of a condition in Section 1.2, Hematite Holdings has not waived such condition; or
  - (d) by written agreement of the Plan Sponsor and Hematite Holdings.
- 2.2 In the event of any termination of this Agreement, the obligations of the parties under this Agreement that have not been performed shall come to an end without any further obligation and the Plan Sponsor may enforce its rights under the DIP Financing and any other right it may have against Hematite Holdings or any other member of the Hematite Group, including any rights that assigned to it by secured lenders to any members of the Hematite Group (in each case in accordance with the terms of any applicable agreement and subject to the orders in the CCAA proceeding). Nothing in this Agreement shall prevent the exercise by the Plan Sponsor at any time of its rights under the DIP Financing or any other rights assigned to it by secured lenders to any members of the Hematite Group (in each case in accordance with the terms of this Agreement and any applicable agreement and subject to the orders in the CCAA proceeding).
- 2.3 In the event of any proposed termination of this Agreement to permit the Hematite Group (or any of its members) to enter into a transaction arising from a Superior Proposal, Hematite Holdings shall first pay or cause to be paid to the Plan Sponsor, in recognition of its out-of-pocket fees and expenses and the significant investment of time in connection with the authorization, preparation, negotiation and execution and performance of this Agreement and all of the transactions and accommodations contemplated hereunder, the amount of \$500,000 (the "**Termination Amount**"). Any payment of the Termination Amount shall be made by wire transfer in immediately available funds to an account designated by the Plan Sponsor.
- 2.4 Upon termination of this Agreement by the Plan Sponsor pursuant to Section 2.1(a), within two (2) business days of the Plan Sponsor's written request for payment, Hematite Holdings shall pay or cause to be paid to the Plan Sponsor an amount equal to the Termination Amount.
- 2.5 Each party acknowledges that the agreements contained in Section 2.3 and 2.4 are an integral part of the transactions contemplated by this Agreement, and that without these agreements it would not enter into this Agreement, and that the Termination Amount represents liquidated damages which are a genuine pre-estimate of the damages, including opportunity costs, which the Plan Sponsor

will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement, and is not a penalty. Hematite Holdings irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive.

### **SECTION 3 REPRESENTATIONS AND WARRANTIES**

- 3.1 Each of the parties hereby represents and warrants to the other parties hereto that it has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement.
- 3.2 Each of the parties signatories hereto hereby represents and warrants to the other parties signatories hereto that the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate action on its part.
- 3.3 Hematite Holdings hereby represents and warrants, after making such investigations as it considers reasonably necessary to ensure its accuracy, that there is no matter, fact or event which is known to the Hematite Group which has not been disclosed to Plan Sponsor in writing prior to execution of this Agreement which is likely to have a material adverse effect on the Hematite Group or any member of the Hematite Group individually.

### **SECTION 4 EXCLUSIVITY**

- 4.1 In consideration of the obligations of the Plan Sponsor hereunder, Hematite Holdings agrees that it will not, and shall not permit, to the extent legally possible, any officer, director, shareholder, affiliate (including any member of the Hematite Group), agent, representative or other person acting on its or their behalf to, directly or indirectly, continue, entertain, solicit or enter into any discussions, offers, agreements or negotiations with any other person (whether solicited or unsolicited), with respect to any offer or proposal from any person other than the Plan Sponsor (or an affiliate of the Plan Sponsor) relating to: (i) any sale or disposition (or any lease, license or other arrangement having the same economic effect as a sale of disposition) direct or indirect, through one more related transactions of all or substantially all of the assets of the Hematite Group or any individual member of the Hematite Group or all of the shares of Hematite Holdings or any other member of the Hematite Group; or (ii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, or other similar transaction or series of related transactions involving Hematite Holdings or any member of the Hematite Group, including any transaction similar to the CCAA Plan, and shall suspend any existing activities or discussions with any parties other than the Plan Sponsor and its representatives relating to a similar transaction unless such activities are contemplated by this Agreement.
- 4.2 Notwithstanding Section 4.1 or any other provision of this Agreement, to the extent the Hematite Group receives a bona fide unsolicited written proposal (a “**Superior Proposal**”) that, following receipt of legal and financial advice, and having regard to the extent of secured lender and customer support that may (or may not) exist for any such Superior Proposal and the requisite approvals of the secured lenders and customers that would be required to implement such Superior Proposal, the board of Hematite Holdings determines would reasonably be expected to result in a transaction more favourable to the Hematite Group and its stakeholders than the Transaction, then the Hematite Group is permitted to negotiate and have discussions with respect to such Superior Proposal; provided that, notwithstanding the foregoing, Hematite Holdings acknowledges that the Plan

Sponsor, to the extent it is a creditor of the Hematite Group, has not consented to, or approved, the implementation of any Superior Proposal.

## SECTION 5 GENERAL

5.1 **Notices.** Any notice or communication to be delivered hereunder shall be in writing and shall reference this Agreement or, if filed, the CCAA Plan and may, subject as hereinafter provided, be made or given by registered mail, personal delivery or by means of electronic communication addressed to the recipient as follows:

(a) If to Hematite Holdings Inc.:

659 Speedvale Avenue West  
Guelph, ON N1K 1E6

Attention: John Pavanel, President  
johnp@hematite.ca

And with a copy to (which shall not constitute notice):

McCarthy Tétrault LLP  
66 Wellington Street West  
Suite 5300  
Toronto, Ontario  
M5K 1E6

Attention: James D. Gage  
jgage@mccarthy.ca  
- and -  
Trevor Courtis  
tcourtis@mccarthy.ca

(b) If to Woodbridge Foam Corporation:

4240 Sherwoodtowne Blvd.  
Mississauga, Ontario  
L4Z 2G6

Attention: Corporate Secretary  
marie\_manseau@woodbridgegroup.com  
- and -  
Roland Deschamps, General Counsel and Compliance Officer  
Roland\_Deschamps@woodbridgegroup.com

And with a copy to (which shall not constitute notice):

Bennett Jones LLP  
Suite 3400  
One First Canadian Place  
P.O. Box 130



Toronto, Ontario  
M5X 1A4

Attention: Raj Sahni  
sahnir@bennettjones.ca  
- and -  
Ian Michael  
michaeli@bennettjones.ca

- 5.2 **Binding Obligation.** Each party hereto hereby represents and warrants to the other party that this Agreement is a legally valid and binding obligation of it, enforceable against it in accordance with the Agreement's terms, except as enforcement may be limited by applicable law.
- 5.3 **Further Assurances.** Each party hereto will from time to time at the request and expense of the other execute and deliver all such further documents and instruments and do all acts and things as the other parties may, either before or after the date of Closing, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.
- 5.4 **Time of the Essence.** Time is of the essence of this Agreement.
- 5.5 **Fees, Commissions and other Costs and Expenses.** Except as otherwise expressly provided in this Agreement, each party shall pay its respective legal and accounting costs and expenses and any real estate or other commissions incurred in connection with the preparation execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses whatsoever and howsoever incurred and will indemnify and save harmless the other from and against any claim resulting from any broker's, finder's or placement fee or commission alleged to have been incurred as a result of any action by it in connection with the transactions under this Agreement.
- 5.6 **Entire Agreement.** This Agreement (including the agreements contemplated hereby) constitute the entire agreement between the parties with respect to the subject matter hereof and such agreements cancel and supercede any prior understandings and agreements between the parties with respect thereto, including the LOI. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement (including the agreements contemplated hereby).
- 5.7 **Remedies Cumulative.** The right and remedies of the parties under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.
- 5.8 **Good Faith.** Each party hereto agrees to cooperate in good faith with each other to facilitate the performance by the parties of their respective obligations hereunder and the purposes of this Agreement.
- 5.9 **Amendments.** Except as otherwise expressly provided herein, this Agreement shall not be amended, modified or supplemented, except in writing signed by each of the parties' signatories hereto.

- 5.10 **Governing Law.** This Agreement shall be governed by the laws of the Province of Ontario, without regard to any conflicts of law provision that would require the application of the law of any other jurisdiction.
- 5.11 **Specific Performance.** It is understood and agreed by the parties hereto that money damages would not be a sufficient remedy for any breach of this Agreement by any party and the non-breaching party shall be entitled to specific performance and injunctive or other equitable relief as remedy for any such breach.
- 5.12 **Headings.** The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.
- 5.13 **Successors and Assigns.** This Agreement is intended to bind and inure to the benefit of the parties hereto and their respective successors and assigns. The agreements, representatives and obligations of the undersigned parties under this Agreement are, in all respects, several and not joint.
- 5.14 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page by electronic transmission shall be effective as delivery of a manually executed counterpart.
- 5.15 **Third Party Beneficiaries.** This Agreement shall be solely for the benefit of the parties hereto and, subject to Section 5.13 hereof, no other person or entity shall be a third-party beneficiary hereto.

*[Signatures on next pages]*

**HEMATITE HOLDINGS INC.**

Per:

Name:

JOHN PAVANEL

Title:

PRESIDENT

**CANADIAN PAVACO INC.**

Per:

Name:

JOHN PAVANEL

Title:

PRESIDENT

**HEMATITE MANUFACTURING INC.**

Per:

Name:

JOHN PAVANEL

Title:

PRESIDENT

**PAVACO HOLDINGS (U.S.) INC.**

Per:

Name:

JOHN PAVANEL

Title:

PRESIDENT

**HEMATITE AUTOMOTIVE PRODUCTS,  
INC.**

Per:

Name:

JOHN PAVANEL

Title:

PRESIDENT

**HEMATITE, INC.**

Per:

  
Name: JOHN PAVANEL

Title: PRESIDENT

**2561389 ONTARIO INC.**

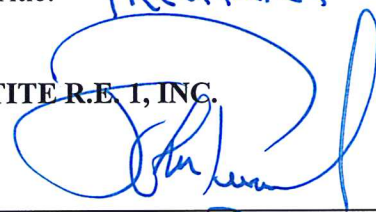
Per:

  
Name: JOHN PAVANEL

Title: PRESIDENT

**HEMATITE R.E. 1, INC.**

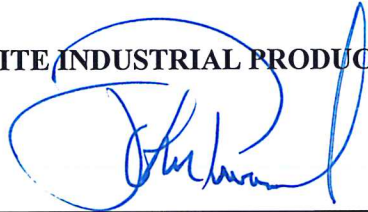
Per:

  
Name: JOHN PAVANEL

Title: PRESIDENT

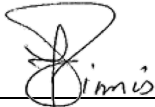
**HEMATITE INDUSTRIAL PRODUCTS  
INC.**

Per:

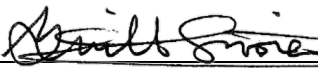
  
Name: JOHN PAVANEL

Title: PRESIDENT

**WOODBIDGE FOAM CORPORATION**

Per:   
Name: John Zianis

Title: Chief Operating Officer

Per:   
Name: Guillaume Lavoie

Title: Senior VP & Chief Financial Officer

This is **Exhibit "P"** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

## REVOLVING DIP LOAN AGREEMENT

THIS REVOLVING DIP LOAN AGREEMENT (this "**Agreement**") effective as of September 17, 2020, is entered into by and between WOODBRIDGE FOAM CORPORATION (the "**Lender**"), as lender, HEMATITE HOLDINGS INC., a corporation incorporated pursuant to the laws of Ontario ("**HH**"), CANADIAN PAVACO INC., a corporation incorporated pursuant to the laws of Ontario ("**CP**"), HEMATITE MANUFACTURING INC., a corporation incorporated pursuant to the laws of Ontario ("**HM**"), HEMATITE INDUSTRIAL PRODUCTS INC. , a corporation incorporated pursuant to the laws of Ontario ("**HP**"), HEMATITE AUTOMOTIVE PRODUCTS, INC., a corporation incorporated pursuant to the laws of Michigan ("**HAP**"), PAVACO HOLDINGS (U.S.) INC., a corporation incorporated pursuant to the laws of Delaware ("**PH**"), and HEMATITE, INC., a corporation incorporated pursuant to the laws of Ohio ("**HI**" and together with PH, CP, HM, HAP and HP, collectively, the "**Borrowers**"). The Borrowers and the Lender are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

**WHEREAS** HH has advised the Lender that the Borrowers intend to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") to seek, among other things, the granting of an initial order (the "**Initial Order**") from the Ontario Superior Court of Justice (Commercial List) (the "**Court**");

**AND WHEREAS** the Borrowers have requested, and the Lender has agreed to provide, certain debtor-in-possession ("**DIP**") financing to the Borrowers pursuant to a revolving DIP facility in the maximum principal amount of C\$6,000,000 (the "**Facility**") during the CCAA Proceedings, of which C\$2,300,000 is to be made available upon the Effective Date, and C\$3,700,000 is to be made available upon the granting of an amendment and restatement of the Initial Order from the Court (the "**Amended and Restated Initial Order**"), in each case on the terms and conditions contained herein;

**AND WHEREAS** the Borrowers and the Lender desire to enter into this Agreement to evidence the terms and conditions of the Facility;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, the Parties agree to be bound as follows:

### ARTICLE 1 DEFINITIONS AND INTERPRETATIONS

#### 1.1 Definitions

For purposes of this Agreement (and the recitals above), unless otherwise indicated or defined herein, capitalized terms shall be defined as follows:

"**Applicable Interest Rate**" means 15% per annum.

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which commercial banks in Toronto, Ontario are required or authorized to be closed or are in fact closed.

"**DIP Charge**" has the meaning given thereto in Section 3.1.

**"Drawdown"** means an advance of a Loan by the Lender to the Borrowers pursuant to a Drawdown Notice.

**"Drawdown Date"** means the date on which a Drawdown is made by the Borrowers pursuant to the provisions hereof and which shall be a Business Day.

**"Drawdown Notice"** means a notice substantially in the form annexed hereto as Exhibit A to be given to the Lender by the Borrowers pursuant hereto.

**"Effective Date"** means the date upon which the conditions precedent in Section 5.1 have been satisfied (or to the extent not satisfied, waived by the Lender).

**"Event of Default"** has the meaning assigned to such term in Section 6.1 of this Agreement.

**"GAAP"** means Generally Accepted Accounting Principles, including any successor financial accounting standards as adopted by a recognized accounting board in the United States or in Canada that is currently in use by the Borrowers or their ultimate parent in the preparation of its financial statements.

**"Loan"** means a loan made by the Lender to the Borrowers pursuant to a Drawdown Notice.

**"Loan Documents"** means, collectively, this Agreement, the Note, and each certificate, agreement or document executed by one or more of the Borrowers and delivered to the Lender in connection with or pursuant to any of the foregoing.

**"Material Adverse Effect"** has the meaning given thereto in Section 4.1(d).

**"Maturity Date"** means September 30, 2022.

**"Maximum Principal Amount"** has the meaning given thereto in Section 2.1.

**"Monitor"** means KPMG Inc. in its capacity as monitor appointed under the Initial Order.

**"Note"** means the grid promissory note evidencing the Loans made in accordance with Section 2.2.

**"Person"** means any individual, corporation, body corporate, partnership, joint venture, limited liability company, association, joint-stock company, trust or unincorporated organization or government or any agency or political subdivision thereof.

**"Plan Sponsor Agreement"** means the plan sponsor agreement dated as of September 17, 2020 between HH and the Lender.

**"Post-Filing Obligations"** has the meaning given thereto in Section 3.1.

**"Professional Expenses"** has the meaning given thereto in Section 4.3.



## 1.2 Interpretations

In and for the purposes of this Agreement:

- (a) "this Agreement" means this Agreement as the same may from time to time be restated, modified, supplemented, or amended and in effect;
- (b) the words "herein", "hereof", "hereunder", and other words of similar import refer to this Agreement as a whole and not to any particular paragraph or other subdivision;
- (c) the headings in this Agreement are for convenience only and do not form a part of this Agreement and are not intended to interpret, define, or limit the scope, extent, or intent of this Agreement or any provision hereof;
- (d) the singular of any term includes the plural, and vice versa;
- (e) the use of any term is generally applicable to any gender, and where applicable, a body corporate;
- (f) the word "or" is not exclusive, and the word "including" is not limiting (regardless of whether non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto);
- (g) except as otherwise expressly provided herein, where the time for doing an act falls or expires on a day which is not a Business Day, the time for doing such act is extended to the next Business Day;
- (h) all references to "Dollars", "C\$" and "\$" in this Agreement will be references to the lawful currency of Canada;
- (i) a reference to any agreement, instrument, order or declaration means such agreement, instrument, order or declaration as the same may be amended, supplemented, modified, restated or replaced from time to time; and
- (j) a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulation made thereunder.

## ARTICLE 2 REVOLVING FACILITY

### 2.1 The Facility

- (a) **Facility.** On the terms and subject to the conditions contained in this Agreement, on the Effective Date, the Lender shall make available to the Borrowers the Facility in the maximum principal amount of C\$6,000,000 (as such amount may be increased by the Lender in its sole discretion in accordance with Section 2.1(b) below, the "**Maximum**

**Principal Amount**"). The outstanding principal under the Facility shall not exceed the Maximum Principal Amount.

- (b) **Type of Availment.** Subject to the terms and conditions hereof, and prior to the Maturity Date, the Borrowers may, in Canadian Dollars, make Drawdowns under the Facility of Loans, in two tranches:
  - (i) a first tranche (the "**First Tranche**") in the sum of C\$2,300,000; and
  - (ii) a second tranche (the "**Second Tranche**") in the sum of up to C\$3,700,000;

provided that if the Court has approved an increase in the amount of the DIP Charge (as defined below), the Lender may, in its sole discretion: (A) increase the Maximum Principal Amount by an amount not to exceed the amount of such increase to the DIP Charge, and (B) approve further Drawdowns hereunder.

- (c) **Nature of Facility.** Prior to the Maturity Date, the Facility shall be a revolving credit facility: that is, the Borrowers may increase or decrease Loans under the Facility by making Drawdowns, repayments and further Drawdowns.
- (d) **Use of the Proceeds.** The Facility is being made available to the Borrowers for the purpose of: (i) meeting the Borrowers' immediate cash needs for general operating purposes; and (ii) its restructuring, including payment of professional fees and expenses and its working capital requirements during the pendency of the CCAA Proceedings. The Borrowers shall use the proceeds of the Loans solely for the purposes set forth in this Section 2.1(d) and for no other purposes.

## 2.2 Drawdowns

Subject to the provisions hereof, the Borrowers may request a Drawdown by delivering a Drawdown Notice, to the Lender not later than 10:00 a.m. (Toronto time) three Business Days prior to the proposed Drawdown Date (or such shorter period as the Lender may agree); provided however, the initial Drawdown under the First Tranche will be advanced by the Lender on the same Business Day as the Effective Date.

## 2.3 Making the Note

The Borrowers shall execute and deliver the Note to the Lender evidencing Loans, made in accordance with Section 2.2, substantially in the form of Exhibit B. The Lender shall enter in the grid attached to the Note details of all amounts from time to time owing, paid or repaid by the Borrowers hereunder. The information entered in such grid shall, absent manifest error, constitute *prima facie* evidence of the obligations of the Borrowers to the Lender hereunder with respect to all Loans and all other amounts owing by the Borrowers to the Lender hereunder.

## 2.4 Repayment of Loans

The Borrowers shall repay to the Lender all Loans and other obligations outstanding under the Facility in full on the Maturity Date.

## 2.5 Interest

- (a) **Interest Amount.** The Borrowers shall pay interest on each Loan owing by it during each month applicable thereto in Canadian Dollars at a rate per annum equal to the Applicable Interest Rate, calculated daily and payable monthly in arrears on the last day of such month, commencing with the first interest payment being made on October 31, 2020. Such interest shall accrue daily from the date a Loan was advanced, and shall be calculated on the principal amount of such Loan outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 days.
- (b) **Compound Interest.** Interest that is not paid when due shall be added to the principal amount of the Loan and itself bear interest as such.
- (c) **Usury Laws.** Notwithstanding any other provision of this Agreement, no interest or fee to be paid hereunder shall be paid at a rate exceeding the maximum rate permitted by applicable law. In the event any such interest or fee exceeds such maximum rate, such interest or fee shall be reduced or refunded, as the case may be, so as to be payable at the highest rate recoverable under applicable law.

## 2.6 Optional Prepayments

The Borrowers shall have the right to prepay any Loans, in whole or in part, at any time without penalty or premium. Any prepayment of principal shall be accompanied by a payment of all interest accrued and unpaid on the portion of the applicable Loan being prepaid.

## 2.7 Payments and Computations

- (a) The Borrowers shall make each payment hereunder not later than 11:00 A.M. (Toronto time), on the day when due, in Dollars, to the Lender at an account designated from time to time by the Lender in immediately available funds or by such other means as may be agreed between the Borrowers and the Lender, without set-off or counterclaim. Payments not paid by the Borrowers before 11:00 A.M. (Toronto time) shall be deemed to be received on the next Business Day.
- (b) All computations of interest shall be made by the Lender on the basis of a year of 365 days comprised of actual days in each calendar month. In the case of a leap year one day shall be added to 365 and to the month of February. Each computation by the Lender of interest hereunder shall be prima facie evidence of the amount at issue. For the purposes of the *Interest Act* (Canada), whenever any interest or fee under this Agreement or in any other Loan Document is calculated using a rate based on a number of days less than a full year, such rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 360 (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable ends, and (z) divided by the number of days based on which such rate is calculated. All interest hereunder will be calculated using the nominal rate method, and not the effective rate method, and the deemed reinvestment principle shall not apply to any such

calculations. Each Borrower confirms that the interest payable hereunder and the calculation thereof has been adequately disclosed to it, and agrees not to plead to the contrary, whether pursuant to Section 4 of the *Interest Act* (Canada) or any other applicable law or legal principle.

## 2.8 Application of Payments

Notwithstanding any other provision of this Agreement or the Note to the contrary, all payments and prepayments of the principal amount in respect of any Loan shall be applied first to the costs and expenses of the Lender, second to the accrued but unpaid interest on such Loan and third to the principal amount of such Loan.

## ARTICLE 3 SECURITY AND INITIAL ORDER

### 3.1 DIP Charge

All indebtedness, liabilities and obligations of the Borrowers to the Lender hereunder, and all obligations, indebtedness, fees (including professional fees), costs, and expenses of the Borrowers under the Loan Documents and the Facility (collectively, the "**Post-Filing Obligations**") shall be secured by super-priority DIP financing charge (the "**DIP Charge**") on all of the present and after-acquired real and personal property of the Borrowers as provided for herein and in the Initial Order.

### 3.2 Initial Order and Amended and Restated Initial Order

The Initial Order and the Amended and Restated Initial Order (including any amendment and restatement thereof) shall be satisfactory to the Lender in its sole discretion, including provisions addressing (among other things) the following:

- (a) approval of the financing provided for in this Agreement (including the Facility);
- (b) authorization and direction for the Borrowers to make all payments of principal, interest, fees, and expenses under this Agreement to the Lender;
- (c) the DIP Charge;
- (d) an administration charge in an amount not to exceed C\$250,000 under the Initial Order (to be increased to C\$500,000 under the Amended and Restated Initial Order) which ranks senior to the DIP Charge;
- (e) a director's charge in an amount not to exceed C\$300,000 under the Initial Order (to be increased to C\$500,000 under the Amended and Restated Initial Order) which ranks junior to the DIP Charge; and
- (f) that the Lender shall be treated as unaffected in any plan of arrangement or compromise filed by or in respect of any Borrower under the CCAA, or under any proposal filed by or in respect of any Borrower under the *Bankruptcy and Insolvency Act* (Canada), with respect to any Post-Filing Obligations.

## ARTICLE 4 REPRESENTATIONS, WARRANTIES AND COVENANTS

### 4.1 Warranties

Each Borrower represents and warrants to the Lender that as of the date of this Agreement:

- (a) such Borrower has full corporate power and authority to execute and deliver, and to perform its obligations under, this Agreement and the Note;
- (b) this Agreement has been duly authorized by such Borrower and all consents and authorizations in relation thereto have been obtained;
- (c) this Agreement is a legally binding obligation of such Borrower that is enforceable in accordance with its terms (subject to the laws of bankruptcy and other laws affecting the rights of creditors generally), and does not conflict with any law, regulation, or document to which any Borrower is subject;
- (d) the authorization, execution, and delivery and performance of this Agreement by such Borrower will not violate any applicable law or any order, declaration, or judgment binding on such Borrower, or any consent, license, permit, or approval of such Borrower, or any agreement to which such Borrower is a party, and will not result in, or require, the creation or imposition of any prohibited lien on any assets or property of such Borrower except where such violation or creation or imposition would not have a material adverse effect on (i) the assets, properties, business, operations or the financial condition of HH, (ii) the assets, properties, business, operations or the financial condition of the Borrowers, taken as a whole, (iii) such Borrower's ability to pay any of the Post-Filing Obligations in accordance with the terms of the Loan Documents or (iv) the Lender's rights or remedies under the Loan Documents (a "**Material Adverse Effect**"); provided however, the commencement and continuation of the CCAA Proceedings shall not constitute a Material Adverse Effect for purposes of the Loan Documents; and
- (e) there is no matter, fact or event which is known to any Borrower which has not been disclosed to the Lender in writing which is likely to have a Material Adverse Effect on the performance of the respective obligations of such Borrower under this Agreement, and such Borrower has conducted such investigations as it considers reasonably necessary to make this representation and warranty.

### 4.2 Covenants

Each Borrower, jointly and severally, covenants and agrees with the Lender that while any amount owed to the Lender is outstanding under this Agreement:

- (a) each Borrower shall deliver to the Lender copies of all court materials and documents in connection with the CCAA Proceedings, and in the case of materials and documents to be filed by the Borrowers, shall provide the Lender with a reasonable opportunity to comment thereon and ensure the same are acceptable to the Lender;

- (b) HH shall be in compliance with the Plan Sponsor Agreement;
- (c) the Borrowers shall deliver weekly cash flow reports to the Lender, in form and substance satisfactory to the Lender, on or by the fourth Business Day of each calendar week;
- (d) the Borrowers shall deliver monthly financial statements to the Lender, in form and substance satisfactory to the Lender, on or by the 10<sup>th</sup> Business Day of each calendar month;
- (e) the Borrowers shall achieve the cash flow forecasts set out in the CCAA Proceedings, subject to allowed negative variances for up to 10% for any cash flow forecast, not to exceed an aggregate of C\$250,000 in excess of forecast aggregate cash flow needs during the term of this Agreement, or as otherwise agreed by the Lender in writing;
- (f) each Borrower shall maintain and comply with all of its material production contracts with its material customers;
- (g) each Borrower shall cooperate fully with the Lender and its respective agents and employees by providing all information requested by the Lender, and by providing access to its books, records, property, assets, and personnel wherever they may be situated in whatever medium they may be recorded, except for confidential or privileged information, at the request of and at times convenient to the Lender, acting reasonably, which right of access shall include the right to inspect and appraise such property and assets;
- (h) each Borrower shall as soon as practicable, and in any event within one Business Day after the occurrence thereof, notify the Lender in writing of the occurrence of any Event of Default or any event which, with the giving of notice or lapse of time or otherwise, might constitute an Event of Default and at the same time inform the Lender of any action taken or proposed to be taken by a Borrower in connection therewith;
- (i) each Borrower shall comply with all material laws and regulations;
- (j) each Borrower shall diligently obtain and maintain, where required, such licenses and permits necessary for its business;
- (k) subject to the Initial Order, each Borrower shall pay and discharge before the same shall become delinquent, all lawful governmental claims, taxes, assessments, charges, and levies, except where contested in good faith, by proper proceedings and with respect to which adequate reserves therefor have been established on the books of the Borrowers in conformity with GAAP; and
- (l) no Borrower may incur any new indebtedness for borrowed money that does not exist on the date hereof, other than (i) under the Loan Documents; (ii) corporate credit cards in the ordinary course of business not to exceed C\$25,000 in aggregate (net of any deposits in

accordance with the cash flow forecast); and (iii) with the prior written approval of the Lender.

### **4.3 Expenses**

Each Borrower hereby covenants and agrees with the Lender to reimburse the Lender for all reasonable expenses incurred in connection with the Loan Documents and the CCAA Proceedings, including, without limitation, legal fees and other professional expenses that the Lender has incurred or will incur arising out of its dealings with the Borrowers in the CCAA Proceedings (collectively, the "**Professional Expenses**"). Each Borrower shall ensure that the Professional Expenses are provided for in its budget. Nothing in this Agreement shall derogate from any Borrower's obligation to pay for all of the Professional Expenses or shall constitute a cap on Professional Expenses. Notwithstanding the foregoing, the Lender shall add all of the Professional Expenses to the Post-Filing Obligations if the same are not paid when due. Each Borrower hereby acknowledges, confirms and agrees that the Professional Expenses which are added to the Post-Filing Obligations shall be secured and covered by the DIP Charge.

## **ARTICLE 5 CONDITIONS**

### **5.1 Conditions to Effectiveness of this Agreement**

The obligations of the Lender to make Loans shall not become effective until the date on which each of the following conditions is satisfied:

- (a) the Lender shall have received a fully-executed copy of this Agreement;
- (b) no Event of Default shall exist, and no event or circumstance which could reasonably be expected to result in a Material Adverse Effect shall have occurred;
- (c) there shall not be pending any litigation or other proceeding, other than the CCAA Proceedings, the result of which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or form the basis for an appeal of the Initial Order;
- (d) all application materials and documents, including any service list, in connection with the commencement of the CCAA Proceedings shall be in form and substance satisfactory to the Lender;
- (e) the Initial Order shall have been entered and be in full force and effect and shall not have been reversed, vacated, or stayed, subject to appeal or modified or superseded or negatively impacted in any way in the Lender's sole discretion, without the Lender's prior written consent, and all necessary consents and approvals to the transaction contemplated in this Agreement and in the Initial Order shall have been obtained to the satisfaction of the Lender; and
- (f) the Initial Order shall be satisfactory to the Lender in its sole discretion.

## **5.2 Conditions to Drawdown under First Tranche**

The obligations of the Lender to advance the Drawdown under the First Tranche shall not become effective until the date on which each of the following conditions is satisfied:

- (a) the Lender shall have received a Drawdown Notice for such Drawdown under the First Tranche in an amount not to exceed C\$2,300,000 in accordance with Section 2.2, and shall be satisfied with the proposed use of proceeds set out therein;
- (b) no Event of Default shall exist, and no event or circumstance which could reasonably be expected to result in a Material Adverse Effect shall have occurred since the date of the Initial Order;
- (c) the Borrowers shall have satisfied all conditions precedent set out in the Plan Sponsor Agreement that are to be satisfied by the date of such Drawdown;
- (d) the Lender shall be satisfied, in its sole discretion, with: (i) the Borrowers' compliance with the covenants in Section 4.2; and (ii) the contents of the cash flow reports, monthly financial statements and other materials delivered prior to the date of such Drawdown in accordance with Section 4.2; and
- (e) the Lender shall be satisfied that each of the conditions set forth in Section 5.1 continue to be satisfied as of the date of such Drawdown.

## **5.3 Conditions to Drawdowns under Second Tranche**

The obligations of the Lender to advance a Drawdown under the Second Tranche shall not become effective until the date on which each of the following conditions is satisfied:

- (a) the Lender shall have advanced a Drawdown under the First Tranche in accordance with Section 5.2;
- (b) the Lender shall have received a Drawdown Notice for such Drawdown under the Second Tranche in accordance with Section 2.2, and shall be satisfied with the proposed use of proceeds set out therein;
- (c) after giving effect to the Drawdown, the total principal amount of Loans outstanding shall not exceed the Maximum Principal Amount;
- (d) no Event of Default shall exist, and no event or circumstance which could reasonably be expected to result in a Material Adverse Effect shall have occurred since the date of the Initial Order;
- (e) the Borrowers shall have satisfied all conditions precedent set out in the Plan Sponsor Agreement that are to be satisfied by the date of such Drawdown;
- (f) the Lender shall be satisfied, in its sole discretion, with: (i) the Borrowers' compliance with the covenants in Section 4.2; and (ii) the contents of the cash flow reports, monthly financial statements and other materials delivered prior to the date of such Drawdown in accordance with Section 4.2;



- (g) the Lender shall be satisfied that each of the conditions set forth in Section 5.1 continues to be satisfied; and
- (h) the Amended and Restated Order shall have been issued by the Court and be satisfactory to the Lender in its sole discretion.

#### **5.4 Exclusive Benefit**

The conditions set forth in this Article 5 are for the exclusive benefit for the Lender, and may be waived by the Lender, in its sole and absolute discretion, at any time and from time to time, with or without further conditions.

### **ARTICLE 6 EVENTS OF DEFAULT**

#### **6.1 Events of Default**

The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an event of default (each, an "**Event of Default**"):

- (a) entry of an order which stays, modifies (other than extensions of the Initial Order), or reverses the Initial Order or which otherwise materially adversely affects the effectiveness of the Initial Order without the express written consent of the Lender;
- (b) the entry of any order, without the prior written consent of the Lender, which provides relief from the automatic stay made under the Initial Order or the CCAA which permits any creditor to realize upon, or to exercise any right or remedy with respect to, any asset of a Borrower or to terminate any license, franchise, or similar agreement, where the exercise of such right or remedy or such realization or termination would reasonably be likely to have a Material Adverse Effect;
- (c) the filing of any application by a Borrower, without the express prior written consent of the Lender, for the approval of any super-priority claim or debtor in possession financing in the CCAA Proceedings which is pari passu with or senior to the priority of the DIP Charge, or there shall arise any such super-priority claim under the CCAA;
- (d) the payment or other discharge by a Borrower of any pre-petition indebtedness, except as expressly permitted hereunder, or generally permitted within the category and range in the Budget or by order in the CCAA Proceedings, to which payment or discharge the Lender has not provided its written prior consent;
- (e) the failure of a Borrower (i) to comply with each and all of the terms and conditions of the Initial Order, or (ii) to materially comply with any other order entered in the CCAA Proceedings, if such failure would reasonably likely result in a Material Adverse Effect;
- (f) (i) the filing of any motion by a Borrower or the entry of any order in the CCAA Proceedings: (A) permitting any financing (other than ordinary course trade credit or unsecured debt) for a Borrower from any Person other than the Lender, (B) granting a lien on, or security interest in any of the collateral of a Borrower equal or superior status to that of the DIP Charge, other than with respect to this Agreement or as otherwise permitted

herein, or (C) dismissing the CCAA Proceedings, or (ii) the filing of any motion by any Person (other than a Borrower) regarding matters specified in the foregoing clause (i) that is not immediately stayed and dismissed or denied within 30 days of the date of the filing of such motion;

- (g) the breach of any term, covenant or agreement by a Borrower in any Loan Document; provided however that if such breach is capable of being cured, such Borrower has failed to remedy such breach within 3 Business Days from the earlier of (i) the date such Borrower becomes aware of such breach, and (ii) the date the Lender delivers written notice of the breach to such Borrower;
- (h) any representation, warranty, certification or statement of fact made or deemed made by or on behalf of a Borrower, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any respect when made or deemed made, provided however that if such misrepresentation is capable of being cured to the Lender's satisfaction, such Borrower fails to remedy such misrepresentation within 3 Business Days of the occurrence of such event; or
- (i) a Borrower defaults in the payment of any principal, interest or fees under a Loan when the same becomes due and payable at its stated maturity, upon declaration or otherwise.

## **6.2 Remedies**

- (a) During the continuance of any Event of Default, the Lender may, by notice to the Borrower, declare all Loans, all interest thereon (including any interest accrued to such date of acceleration) and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Loans, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand or protest of any kind, all of which are hereby expressly waived by the Borrower.
- (b) The occurrence of an Event of Default that is continuing shall relieve the Lender of all obligations to provide any further Drawdowns to the Borrowers.
- (c) Further, during the continuance of any Event of Default, the Lender may, by notice to the Borrower, cancel all or a portion of the Facility.
- (d) In addition to the remedies set forth above, the Lender may exercise any remedies provided for by the Loan Documents in accordance with the terms thereof or any other remedies provided by applicable law.

## **ARTICLE 7 TRANSFERS; SUCCESSORS AND ASSIGNS**

### **7.1 General**

This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Lender and their respective successors and assigns, except that no Borrower shall have the right to assign its rights hereunder

or any interest herein without the prior written approval of the Lender, in the Lender's sole and absolute discretion. Upon written notice to the Borrower, the Lender may freely assign and transfer its interest in this Agreement, the Note and any other Loan Documents to which it is a party to any Person; provided, however, that if the principal amount of Loans outstanding hereunder is an amount less than the Maximum Principal Amount and no Event of Default has occurred and is continuing, the Lender shall provide the Monitor with reasonable evidence that such assignee has the financial capacity to fulfil the obligations of the Lender hereunder prior to the making of such assignment. Upon assignment or other transfer of the Note, a transferee may request that the Borrowers reissue a promissory note in the name of such transferee.

## **ARTICLE 8 MISCELLANEOUS**

### **8.1 Amendments, Waivers, Etc.**

No amendment or waiver of any provision of this Agreement or any other Loan Document nor consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by each Party against whom enforcement thereof would be sought, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

### **8.2 Notices, Etc.**

Any notice, request, instruction or other document to be given under any section of this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by email or facsimile, the next day if by express mail or three days after being sent by registered or certified mail, return receipt requested, postage prepaid to the following addresses (or at such other address as shall be specified by like notice provided that such notice shall be effective only after receipt thereof):

If to the Lender:	Woodbridge Foam Corporation 4240 Sherwoodtowne Blvd. Mississauga, Ontario L4Z 2G6
	Attention: Corporate Secretary Email: marie_manseau@woodbridgegroup.com

And with a copy to (which shall not constitute notice):

Bennett Jones LLP  
One First Canadian Place, Suite 3400  
P.O. Box 130  
Toronto, Ontario M5X 1A4

Attention: Raj Sahni / Ian Michael  
Email : sahnir@bennettjones.ca/  
michaeli@bennettjones.ca

If to the Borrowers:	Hematite Holdings Inc.
----------------------	------------------------

659 Speedvale Avenue W.  
Guelph, Ontario N1K 1E6

Attention: John Pavanel, President  
Email: johnp@hematite.ca

And with a copy to (which shall not constitute notice):

McCarthy Tétrault LLP  
66 Wellington Street West  
Suite 5300  
Toronto, Ontario M5K 1E6

Attention: James D. Gage / Trevor Courtis  
Email : jgage@mccarthy.ca / tcourtis@mccarthy.ca

### **8.3 Time**

Time is of the essence of this Agreement.

### **8.4 No Waiver; Remedies**

No failure on the part of the Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

### **8.5 Lender's Right of Set-Off**

Upon the occurrence and during the continuance of any Event of Default, the Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lender to, or for the credit or the account of, the Borrowers against the Note now or hereafter existing whether or not the Lender shall have made any demand under (i) this Agreement, or (ii) any other Loan Document and whether or not the Note is otherwise due. The Lender agrees promptly to notify the Borrowers after any such set-off and application made by the Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lender under this Section 8.5 are in addition to the other rights and remedies (including other rights of set-off) which the Lender may have.

### **8.6 Governing Law and Jurisdiction**

The laws of the Province of Ontario (excluding its rules governing conflicts of laws) shall govern the construction, interpretation and other matters arising out of or in connection with this Agreement.

### **8.7 Execution in Counterparts; Electronic Execution**

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Transmission of an executed signature page by facsimile, e-mail or other electronic means is as effective as a manually executed counterpart of this Agreement. The words "execution," "execute", "signed," "signature," and words of like import in or related to any Loan Document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be.

### **8.8 Entire Agreement**

This Agreement, together with all of the other Loan Documents, the Plan Sponsor Agreement and all certificates and documents delivered hereunder or thereunder, embodies the entire agreement of the Parties and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof.

### **8.9 Lost or Destroyed Note**

Upon receipt by the Borrowers of evidence reasonably satisfactory to the Borrowers of the loss, theft, destruction or mutilation of the Note, and in the case of any such loss, theft or destruction, upon delivery of an indemnity reasonably satisfactory to the Borrowers or, in case of any such mutilation, upon surrender and cancellation of the Note, the Borrowers will issue a new promissory note of like tenor in lieu of the Note.

### **8.10 Severability**

Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal, or unenforceable provisions.

### **8.11 Joint and Several Liability**

Each of the Borrowers shall be jointly and severally liable for each obligation hereunder. The Borrowers are engaged in related businesses and are integrated to such an extent that the financial strength and flexibility of each Borrower has a direct, tangible and immediate impact on the success of the other

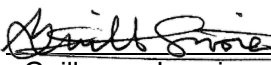

Borrowers. Each Borrower will derive substantial direct and indirect benefit from the extensions of the Facility to the Borrowers hereunder.

*[Remainder of Page Intentionally Left Blank -  
Signature Page Follows]*

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year first above written.

**LENDER:**

**WOODBIDGE FOAM CORPORATION**

By:    
Name: Guillaume Lavoie Julie Mok  
Title: Senior VP & CFO VP & Treasurer

**BORROWERS:**

**HEMATITE HOLDINGS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANADIAN PAVACO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HEMATITE MANUFACTURING INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HEMATITE INDUSTRIAL PRODUCTS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year first above written.

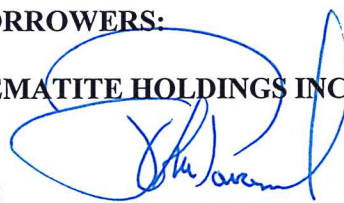
**LENDER:**

**WOODBIDGE FOAM CORPORATION**

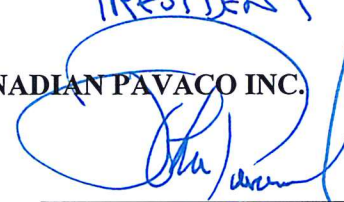
By: \_\_\_\_\_  
Name:  
Title:

**BORROWERS:**

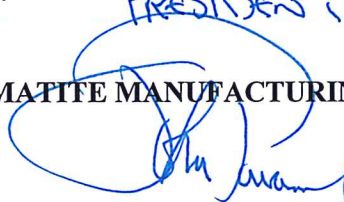
**HEMATITE HOLDINGS INC.**

By:   
Name: \_\_\_\_\_  
Title: JOHN PAVANEL  
PRESIDENT


**CANADIAN PAVACO INC.**

By:   
Name: \_\_\_\_\_  
Title: JOHN PAVANEL  
PRESIDENT

**HEMATITE MANUFACTURING INC.**

By:   
Name: \_\_\_\_\_  
Title: JOHN PAVANEL  
PRESIDENT

**HEMATITE INDUSTRIAL PRODUCTS INC.**

By:   
Name: \_\_\_\_\_  
Title: JOHN PAVANEL  
PRESIDENT



**PAVACO HOLDINGS (U.S.) INC.**

By: 

Name: \_\_\_\_\_

Title: \_\_\_\_\_

JOHN PAVANEL  
PRESIDENT

**HEMATITE, INC.**

By: 

Name: \_\_\_\_\_

Title: \_\_\_\_\_

JOHN PAVANEL  
PRESIDENT

**HEMATITE AUTOMOTIVE PRODUCTS,  
INC.**

By: 

Name: \_\_\_\_\_

Title: \_\_\_\_\_

JOHN PAVANEL  
PRESIDENT

**EXHIBIT A**

**FORM OF DRAWDOWN NOTICE**

**TO:** Woodbridge Foam Corporation (the "**Lender**")  
4240 Sherwoodtowne Blvd.  
Mississauga, Ontario L4Z 2G6

Attention: Corporate Secretary  
Email: marie\_manseau@woodbridgegroup.com

**DATE:** \_\_\_\_\_

---

Reference is made to the revolving DIP loan agreement effective as of September 17, 2020 (as amended, modified, supplemented or restated, the "**Loan Agreement**") entered into by and between the Lender and Hematite Holdings Inc., Canadian Pavaco Inc., Hematite Manufacturing Inc., Hematite Industrial Products Inc., Hematite Automotive Products, Inc., Pavaco Holdings (U.S.) Inc., and Hematite, Inc. (collectively, the "**Borrowers**"), relating to the establishment of a revolving DIP facility in favour of the Borrowers. Unless otherwise expressly defined herein, capitalized terms set forth in this Drawdown Notice shall have the respective meanings set forth in the Loan Agreement.

1. This Drawdown Notice is delivered to the Lender pursuant to Section 2.2 of the Loan Agreement in connection with a Drawdown under the [**First/Second**] Tranche.
2. The Borrowers hereby request a Drawdown as follows:
  - (a) Purpose of Drawdown: \_\_\_\_\_
  - (b) Drawdown Date: \_\_\_\_\_
  - (c) Amount of Drawdown: CAD\$ \_\_\_\_\_
  - (d) Payment instructions (if any): \_\_\_\_\_

\_\_\_\_\_

Yours very truly,

**BORROWERS:**

**HEMATITE HOLDINGS INC.**

By: \_\_\_\_\_  
Name:  
Title:

**CANADIAN PAVACO INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE MANUFACTURING INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE INDUSTRIAL PRODUCTS  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

**PAVACO HOLDINGS (U.S.) INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE AUTOMOTIVE PRODUCTS,  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

## EXHIBIT B

### FORM OF GRID PROMISSORY NOTE

C\$6,000,000

September 17, 2020

FOR VALUE RECEIVED, the undersigned, HEMATITE HOLDINGS INC., a corporation incorporated pursuant to the laws of Ontario ("**HH**"), CANADIAN PAVACO INC., a corporation incorporated pursuant to the laws of Ontario ("**CP**"), HEMATITE MANUFACTURING INC., a corporation incorporated pursuant to the laws of Ontario ("**HM**"), HEMATITE INDUSTRIAL PRODUCTS INC. , a corporation incorporated pursuant to the laws of Ontario ("**HP**"), HEMATITE AUTOMOTIVE PRODUCTS, INC., a corporation incorporated pursuant to the laws of Michigan ("**HAP**"), PAVACO HOLDINGS (U.S.) INC. , a corporation incorporated pursuant to the laws of Delaware ("**PH**"), and HEMATITE, INC. , a corporation incorporated pursuant to the laws of Ohio ("**HI**" and together with HH, CP, HM, HP, HAP, and HP, collectively, the "**Borrowers**"), HEREBY PROMISES TO PAY TO WOODBRIDGE FOAM CORPORATION (the "**Lender**") the aggregate unpaid principal amount of SIX MILLION CANADIAN DOLLARS (\$6,000,000) (the "**Principal Amount**") or, if less, the ultimate unpaid principal balance of all advances made to the Borrowers from time to time pursuant to this Grid Promissory Note (this "**Note**") issued by the Borrowers to the Lender, payable at such times, and in such amounts, as are specified in the Revolving DIP Loan Agreement dated as of September 17, 2020 (said Revolving DIP Loan Agreement, as it may be amended or otherwise modified from time to time, being the "**Loan Agreement**"), between the Borrowers and the Lender. Unless otherwise defined herein or the context otherwise requires, all capitalized terms shall have the meanings ascribed thereto in the Loan Agreement.

The Borrowers promise to pay interest on the unpaid Principal Amount of this Note from the date above until such Principal Amount is paid in full, at the Applicable Interest Rate as provided in the Loan Agreement, and payable at such times, as are specified in the Loan Agreement. All computations of interest shall be made by the Lender on the basis of a year of 365 days comprised of actual days in each calendar month. In the case of a leap year one day shall be added to 365 and to the month of February. Both principal and interest are payable in lawful money of Canada to the Lender, at such bank as the Lender may designate from time to time in immediately available funds.

The Borrowers authorize and direct the Lender to endorse upon the grid attached to this Note as Schedule 1, the date and amount of each advance and repayment of principal under this Note, together with the unpaid principal balance outstanding from time to time, and, in the absence of manifest error, each such endorsement shall be *prima facie* evidence of the amounts so advanced and repaid and the balance of principal outstanding under this Note.

This Note is the Note referred to in, and is entitled to the benefits of, the Loan Agreement and the other Loan Documents referred to therein and entered into pursuant thereto. The Loan Agreement, among other things, (i) provides for the Note of the Borrowers in the Maximum Principal Amount and (ii) contains provisions for acceleration of the maturity of the unpaid Principal Amount of this Note upon the happening of certain stated events and also for prepayments on account of the principal hereof prior to the maturity hereof upon the terms and conditions therein specified. This Note is conditioned as provided in the Loan Documents.

Demand, presentment, protest and notice of nonpayment are hereby waived by the Borrowers. This Note, including the interpretation, construction, validity and enforceability thereof, shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Borrowers shall be jointly and severally liable for each obligation hereunder.

**BORROWERS:**

**HEMATITE HOLDINGS INC.**

By: \_\_\_\_\_  
Name:  
Title:

**CANADIAN PAVACO INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE MANUFACTURING INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE INDUSTRIAL PRODUCTS  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

**PAVACO HOLDINGS (U.S.) INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**HEMATITE AUTOMOTIVE PRODUCTS,  
INC.**

By: \_\_\_\_\_  
Name:  
Title:





This is **Exhibit “Q”** referred to in the  
affidavit of **JACQUES NADEAU**  
sworn before me this  
17th day of September, 2020

A handwritten signature in black ink, appearing to be 'J. Nadeau', written in a cursive style.

---

A Commissioner for taking affidavits

<b>Hematite Group</b>														
<b>Weekly Cash Flow Forecast for the Period September 14, 2020 to December 11, 2020</b>														
<b>in \$CAD</b>														
	Forecast 1	Forecast 2	Forecast 3	Forecast 4	Forecast 5	Forecast 6	Forecast 7	Forecast 8	Forecast 9	Forecast 10	Forecast 11	Forecast 12	Forecast 13	
<b>Week Ending</b>	<b>18-Sep-20</b>	<b>25-Sep-20</b>	<b>2-Oct-20</b>	<b>9-Oct-20</b>	<b>16-Oct-20</b>	<b>23-Oct-20</b>	<b>30-Oct-20</b>	<b>6-Nov-20</b>	<b>13-Nov-20</b>	<b>20-Nov-20</b>	<b>27-Nov-20</b>	<b>4-Dec-20</b>	<b>11-Dec-20</b>	<b>Total</b>
<b>Cash Receipts</b>														
Accounts Receivable	1,363,653	763,694	1,151,020	719,384	3,291,466	2,333,557	2,642,014	1,856,050	1,553,343	1,465,837	1,465,837	1,496,812	1,496,812	<b>21,599,477</b>
<b>Total Receipts</b>	<b>1,363,653</b>	<b>763,694</b>	<b>1,151,020</b>	<b>719,384</b>	<b>3,291,466</b>	<b>2,333,557</b>	<b>2,642,014</b>	<b>1,856,050</b>	<b>1,553,343</b>	<b>1,465,837</b>	<b>1,465,837</b>	<b>1,496,812</b>	<b>1,496,812</b>	<b>21,599,477</b>
<b>Cash Disbursements</b>														
Inventory Purchases	1,326,530	1,417,157	867,157	867,157	867,157	867,157	884,501	884,501	884,501	884,501	822,905	822,905	822,905	<b>12,219,035</b>
Other Operating Expenses	50,000	187,540	459,420	179,801	71,122	75,923	72,784	330,682	195,631	88,864	135,725	309,518	174,077	<b>2,331,087</b>
Tooling Expense	300,000	-	-	-	-	-	-	-	-	-	-	-	-	<b>300,000</b>
Payroll and Benefits	331,067	486,111	253,029	794,680	290,529	475,780	311,667	411,387	359,967	467,487	392,748	335,770	264,842	<b>5,175,067</b>
Equipment and Auto leases	62,650	63,106	286,184	28,306	46,468	159,670	14,077	282,696	19,100	139,670	61,981	288,333	34,672	<b>1,486,912</b>
Tax Remittances	49,212	52,018	-	-	-	-	214,000	-	-	-	203,000	-	-	<b>518,230</b>
Capital Expenditures	-	-	-	96,300	112,500	372,500	62,500	127,550	293,750	293,750	93,750	127,550	93,750	<b>1,673,900</b>
DIP Financing Interest	-	-	-	-	-	-	84,740	-	-	-	-	73,973	-	<b>158,712</b>
Professional fees	119,780	631,560	353,500	180,000	245,000	115,000	140,000	65,000	180,000	170,000	190,000	195,000	175,000	<b>2,759,840</b>
<b>Total Disbursements</b>	<b>2,239,240</b>	<b>2,837,492</b>	<b>2,219,290</b>	<b>2,146,244</b>	<b>1,632,776</b>	<b>2,066,030</b>	<b>1,784,269</b>	<b>2,101,817</b>	<b>1,932,949</b>	<b>2,044,272</b>	<b>1,900,108</b>	<b>2,153,048</b>	<b>1,565,246</b>	<b>26,622,783</b>
<b>Net Cash Flow</b>	<b>(875,587)</b>	<b>(2,073,799)</b>	<b>(1,068,270)</b>	<b>(1,426,861)</b>	<b>1,658,689</b>	<b>267,527</b>	<b>857,746</b>	<b>(245,767)</b>	<b>(379,606)</b>	<b>(578,436)</b>	<b>(434,271)</b>	<b>(656,237)</b>	<b>(68,434)</b>	<b>(5,023,306)</b>
Opening Cash	-	-	126,201	757,932	531,071	3,089,760	3,357,287	4,215,033	3,969,265	3,589,659	3,011,224	2,576,952	1,920,716	-
Revolver Draw	875,587	-	-	-	-	-	-	-	-	-	-	-	-	<b>875,587</b>
DIP Loan Draw	-	2,200,000	1,700,000	1,200,000	900,000	-	-	-	-	-	-	-	-	<b>6,000,000</b>
<b>Closing Cash</b>	<b>-</b>	<b>126,201</b>	<b>757,932</b>	<b>531,071</b>	<b>3,089,760</b>	<b>3,357,287</b>	<b>4,215,033</b>	<b>3,969,265</b>	<b>3,589,659</b>	<b>3,011,224</b>	<b>2,576,952</b>	<b>1,920,716</b>	<b>1,852,281</b>	<b>1,852,281</b>
Opening revolver balance	(13,548,031)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	(14,423,618)	<b>(13,548,031)</b>
Net Cash Flow	(875,587)	-	-	-	-	-	-	-	-	-	-	-	-	<b>(875,587)</b>
<b>Closing revolver balance</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>	<b>(14,423,618)</b>
Opening DIP Loan Balance	-	-	(2,200,000)	(3,900,000)	(5,100,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)	-
DIP Draw	-	(2,200,000)	(1,700,000)	(1,200,000)	(900,000)	-	-	-	-	-	-	-	-	<b>(6,000,000)</b>
<b>Closing DIP Loan Balance</b>	<b>-</b>	<b>(2,200,000)</b>	<b>(3,900,000)</b>	<b>(5,100,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>	<b>(6,000,000)</b>

Jacques Nadeau  
Chief Treasury Officer  
Hematite Group

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF HEMATITE HOLDINGS INC. ET AL.

Court File No:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**AFFIDAVIT OF JACQUES NADEAU  
(Sworn September 17, 2020)**

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DOC#: 20696007

**Tab 3**

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
HEMATITE HOLDINGS INC., HEMATITE MANUFACTURING INC.,  
HEMATITE INDUSTRIAL PRODUCTS INC., CANADIAN PAVACO INC.,  
PAVACO HOLDINGS U.S. INC., HEMATITE, INC. AND  
HEMATITE AUTOMOTIVE PRODUCTS INC.**

**Applicants**

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**CONSENT**

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**KPMG INC.** hereby consents to act as Monitor in respect of the above-captioned proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, if so appointed by this Honourable Court.

Dated at Toronto this 17<sup>th</sup> day of September 2020.

**KPMG INC.**

Per: \_\_\_\_\_

*Katherine Forbes*

Name: Katherine Forbes

Title: Senior Vice President

**Tab 4**

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. )  
JUSTICE HAINEY )  
FRIDAY, THE 18TH  
DAY OF SEPTEMBER, 2020

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
HEMATITE HOLDINGS INC., HEMATITE MANUFACTURING INC.,  
HEMATITE INDUSTRIAL PRODUCTS INC., CANADIAN PAVACO INC.,  
PAVACO HOLDINGS U.S. INC., HEMATITE, INC. AND  
HEMATITE AUTOMOTIVE PRODUCTS INC.**

Applicants

**INITIAL ORDER**

**THIS APPLICATION**, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day by judicial videoconference via Zoom in Toronto, Ontario due to the COVID-19 pandemic.

**ON READING** the affidavit of Jacques Nadeau sworn September 17, 2020 and the Exhibits thereto (the "**Nadeau Affidavit**"), the consent of KPMG Inc. ("**KPMG**") to act as the Monitor (in such capacity, the "**Monitor**"), and the Pre-Filing Report of KPMG in its capacity as the proposed Monitor, and on being advised that the secured creditors of the Applicants who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants and the Monitor.

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

## **APPLICATION**

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

## **POSSESSION OF PROPERTY AND OPERATIONS**

3. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their businesses (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected



creditor under any plan of arrangement or compromise filed by the Applicants with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants, in respect of these proceedings, at their standard rates and charges.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

7. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of

- (i) employment insurance, (ii) Canada Pension Plan (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, “**Sales Taxes**”) required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

8. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

10. **THIS COURT ORDERS** that until and including September 28, 2020 or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

## **NO EXERCISE OF RIGHTS OR REMEDIES**

11. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

12. **THIS COURT ORDERS** that, during the Stay Period, all rights and remedies of any Person against or in respect of 1238579 Ontario Inc. and/or Hematite R.E. 1, Inc. (each, an “**Affected Party**”, and collectively, the “**Affected Parties**”) arising out of, relating to, or triggered by the insolvency of any of the Applicants, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings (collectively, the “**Cross-Default Matters**”), are hereby stayed and suspended except with the written consent of the relevant Applicants, the relevant Affected Party and the Monitor, or leave of this Court, and the operation of any provision of any agreement or other arrangement between any Person and any of the Affected Parties whether written or oral that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement or create a right to purchase, a right of first refusal or a

lien with respect to any property of an Affected Party as a result of any of the Cross-Default Matters is hereby stayed and restrained pending further order of this Court.

### **NO INTERFERENCE WITH RIGHTS**

13. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

### **CONTINUATION OF SERVICES**

14. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

### **NON-DEROGATION OF RIGHTS**

15. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

## **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

16. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

17. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

18. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000 unless permitted by further Order of this Court, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 35 and 37 herein.

19. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 17 of this Order.

## **APPOINTMENT OF MONITOR**

20. **THIS COURT ORDERS** that KPMG is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its advisers of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements, which information shall be reviewed with the Monitor;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;

- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

22. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

23. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the

Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

25. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

#### **ADMINISTRATION CHARGE**

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor and counsel to the Applicants, retainers to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

27. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$250,000 unless permitted by further Order of this Court, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.



## **DIP FINANCING**

29. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from Woodbridge Foam Corporation (the “**DIP Lender**”) in order to finance the Applicants’ working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$2.3 million unless permitted by further Order of this Court.

30. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the Revolving DIP Loan Agreement between the Applicants and the DIP Lender dated as of September 17, 2020 (the “**DIP Loan Agreement**”), filed.

31. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the DIP Loan Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Loan Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

32. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 35 and 37 hereof.

33. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon three (3) business days’ notice to the

Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Loan Agreement, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Loan Agreement, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

34. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

35. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum initial amount of \$250,000);

Second – DIP Lender's Charge; and

Third – Directors' Charge (to the maximum initial amount of \$300,000).

36. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent

to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. **THIS COURT ORDERS** that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, save and except for the following Encumbrances until further Order of this Court:

- (a) purchase-money security interests or the equivalent security interests under provincial or state legislation and financing leases (that, for greater certainty, shall not include trade payables);
- (b) statutory super-priority deemed trusts and liens for unpaid employee source deductions;
- (c) liens for unpaid municipal or state property taxes or utilities that are given first priority over other liens by statute; and
- (d) cash collateral deposited with a financial institution as security for letters of credit or bank guarantees issued by the financial institution at the request of an Applicant.

38. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Administration Charge and the Directors’ Charge, or further Order of this Court.

39. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e)

any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Loan Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Loan Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the DIP Loan Agreement or the Definitive Documents, and the granting of the Charges do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants’ interest in such real property leases.

41. **THIS COURT ORDERS AND DECLARES** that this Order is subject to provisional execution and that if any of the provisions of this Order in connection with the DIP Loan Agreement, the Definitive Documents or the DIP Lender’s Charge shall subsequently be stayed, modified, varied, amended, reversed or vacated in whole or in part (collectively, a “**Variation**”) whether by subsequent order of this Court, on or pending an appeal from this Order, such Variation shall not in any way impair, limit or lessen the priority, protections, rights or remedies of the DIP Lender whether under this Order (as made prior to the Variation), under the DIP Loan Agreement and the Definitive Documents, with respect to any advances made prior to the DIP Lender being given notice of the Variation and the DIP Lender shall be entitled to rely on this

Order as issued (including, without limitation, the DIP Lender's Charge) for all advances so made.

## **SERVICE AND NOTICE**

42. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

43. **THIS COURT ORDERS** that the Guide Concerning Commercial List E-Service (the "**Guide**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Guide, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: <http://home.kpmg/ca/hematitegroup>.

44. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or other electronic transmission to the Applicants' creditors or other interested parties and their advisers at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery, facsimile

or other electronic transmission shall be deemed to be received on day of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

## **GENERAL**

45. **THIS COURT ORDERS** that the balance of the relief sought by the Applicants in the Notice of Application dated September 18, 2020 be and is hereby reserved to be heard by this Court on September 28, 2020, or such other date as determined by this Court.

46. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties hereunder.

47. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

48. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory body or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to Hematite Holdings Inc. in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

49. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that Hematite Holdings Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in any other jurisdiction outside Canada, including the United States pursuant to chapter 15 of title 11 of the United States Code.

50. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF CANNTRUST HOLDINGS INC. ET AL.

Court File No: CV-20-00638930-00CL

**ONTARIO SUPERIOR COURT OF  
JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**INITIAL ORDER**

**McCarthy Tétrault LLP**  
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**Tab 5**

Court File No.

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE ~~MR.~~ ) ~~WEEKDAY~~FRIDAY, THE #18TH  
JUSTICE ~~HAINEY~~ ) DAY OF ~~MONTH~~SEPTEMBER, ~~20YR~~2020

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
~~[APPLICANT'S NAME]~~ (the "Applicant")  
HEMATITE HOLDINGS INC., HEMATITE MANUFACTURING INC.,  
HEMATITE INDUSTRIAL PRODUCTS INC., CANADIAN PAVACO INC.,  
PAVACO HOLDINGS U.S. INC., HEMATITE, INC. AND  
HEMATITE AUTOMOTIVE PRODUCTS INC.

Applicants

INITIAL ORDER

THIS APPLICATION, made by the ~~Applicant~~, Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), was heard this day ~~at 330 University Avenue~~, by judicial videoconference via Zoom in Toronto, Ontario due to the COVID-19 pandemic.

ON READING the affidavit of ~~[NAME]~~ Jacques Nadeau sworn ~~[DATE]~~ September 17, 2020 and the Exhibits thereto (the "Nadeau Affidavit"), the consent of KPMG Inc. ("KPMG") to act as the Monitor (in such capacity, the "Monitor"), and the Pre-Filing Report of KPMG in its capacity as the proposed Monitor, and on being advised that the secured creditors of the Applicants who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for ~~[NAMES], no one appearing for [NAME]~~<sup>†</sup> ~~although duly~~

<sup>†</sup> Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).

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~~served as appears from the affidavit of service of [NAME] sworn [DATE] and on reading the consent of [MONITOR'S NAME] to act as~~the Applicants and the Monitor<sup>2</sup>.

## SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated<sup>2</sup> so that this Application is properly returnable today and hereby dispenses with further service thereof.

## APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~Applicants are companies to which the CCAA applies.

## ~~PLAN OF ARRANGEMENT~~

~~3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").~~

## POSSESSION OF PROPERTY AND OPERATIONS

~~3.~~ **4. THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"). Subject to further Order of this Court, the ~~Applicant~~Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its business~~their businesses (the "Business") and Property. The ~~Applicant is~~Applicants are authorized and empowered to continue to retain and employ the employees, contractors, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

<sup>2</sup>~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

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4. ~~5.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled to continue to utilize the central cash management system<sup>3</sup> currently in place ~~as described in the Affidavit of [NAME] sworn [DATE] or~~with the consent of the Monitor, replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under ~~the Plan~~any plan of arrangement or compromise filed by the Applicants with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.†

5. ~~6.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled but not required to pay the following expenses whether incurred prior to on or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Applicants, in respect of these proceedings, at their standard rates and charges.

6. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Applicants shall be entitled but not required to pay all reasonable expenses incurred

<sup>3</sup>~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.~~

by the ~~Applicant~~Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the ~~Applicant~~Applicants following the date of this Order.

7. ~~8.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the ~~Applicant~~Applicants in connection with the sale of goods and services by the ~~Applicant~~Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Applicants.

~~8.~~ **9. THIS COURT ORDERS** that until a real property lease is disclaimed ~~for resiliated~~<sup>4</sup> in accordance with the CCAA, the ~~Applicant~~Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~Applicants and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

~~9.~~ **10. THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant~~Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~Applicants to any of ~~its~~their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of ~~its~~their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

~~11. — THIS COURT ORDERS that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:~~

- ~~(a) — permanently or temporarily cease, downsize or shut down any of its business or operations, [and to dispose of redundant or non-material assets not exceeding \$• in any one transaction or \$• in the aggregate]~~<sup>5</sup>
- ~~(b) — [terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate]; and~~

<sup>4</sup> The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.

<sup>5</sup> Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.

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(c) ~~pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,~~

~~all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").~~

12. ~~THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims [or resiliates] the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer [or resiliation] of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.~~

13. ~~THIS COURT ORDERS that if a notice of disclaimer [or resiliation] is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer [or resiliation], the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer [or resiliation], the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.~~

#### NO PROCEEDINGS AGAINST THE ~~APPLICANT~~APPLICANTS OR THE PROPERTY

10. ~~14.~~ **THIS COURT ORDERS** that until and including [~~DATE—MAX. 30~~  
~~DAYS~~], September 28, 2020 or such later date as this Court may order (the "Stay Period"), no

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proceeding or enforcement process in any court or tribunal (each, a **“Proceeding”**) shall be commenced or continued against or in respect of the **ApplicantApplicants** or the Monitor, or affecting the Business or the Property, except with the written consent of the **ApplicantApplicants** and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the **ApplicantApplicants** or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

11. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being **“Persons”** and each being a **“Person”**) against or in respect of the **ApplicantApplicants** or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the **ApplicantApplicants** and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the **ApplicantApplicants** to carry on any business which the **Applicant isApplicants are** not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

12. **THIS COURT ORDERS** that, during the Stay Period, all rights and remedies of any Person against or in respect of 1238579 Ontario Inc. and/or Hematite R.E. 1, Inc. (each, an **“Affected Party”**, and collectively, the **“Affected Parties”**) arising out of, relating to, or triggered by the insolvency of any of the Applicants, the making or filing of these proceedings or any allegation, admission or evidence in these proceedings (collectively, the **“Cross-Default Matters”**), are hereby stayed and suspended except with the written consent of the relevant Applicants, the relevant Affected Party and the Monitor, or leave of this Court, and the operation of any provision of any agreement or other arrangement between any Person and any of the Affected Parties whether written or oral that purports to accelerate, terminate, cancel, suspend or modify such agreement or arrangement or create a right to purchase, a right of first refusal or a lien with respect to any property of an Affected Party as a result of any of the Cross-Default Matters is hereby stayed and restrained pending further order of this Court.



**NO INTERFERENCE WITH RIGHTS**

13. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~Applicants, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

**CONTINUATION OF SERVICES**

14. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the ~~Applicant~~Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Applicants, and that the ~~Applicant~~Applicants shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the ~~Applicant~~Applicants in accordance with normal payment practices of the ~~Applicant~~Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Applicants and the Monitor, or as may be ordered by this Court.

**NON-DEROGATION OF RIGHTS**

15. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant.~~Applicants.

Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.<sup>6</sup>

## PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the ~~former,~~ current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

## DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. ~~20.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify ~~its~~their directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,<sup>7</sup> except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

18. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")<sup>8</sup> on the Property, which charge shall not exceed an aggregate amount of \$~~●~~300,000 unless permitted by further Order of this Court, as security for the indemnity provided in paragraph ~~{20}~~17 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~{38}~~35 and ~~{40}~~37 herein.

<sup>6</sup> ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

<sup>7</sup> ~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

<sup>8</sup> ~~Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

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19. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the ~~Applicant's~~ Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~20~~ 17 of this Order.

#### **APPOINTMENT OF MONITOR**

20. ~~23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~ KPMG is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~ Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~ Applicants and ~~its~~ their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~ Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~ Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its ~~counsel on a [TIME INTERVAL] basis~~ advisers of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the ~~Applicant~~ Applicants in ~~its~~ the preparation of the ~~Applicant's~~ Applicants' cash flow statements ~~and reporting required by the DIP Lender~~, which information

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shall be reviewed with the Monitor ~~and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender;~~

~~(e) advise the Applicant in its development of the Plan and any amendments to the Plan; (f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;~~

(e) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;

(f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(g) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

22. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

23. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian*

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*Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. ~~27.~~ **THIS COURT ORDERS** ~~that~~ that the Monitor shall provide any creditor of the ~~Applicant~~ Applicants and the DIP Lender with information provided by the ~~Applicant~~ Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~ Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~ Applicants may agree.

25. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

#### ADMINISTRATION CHARGE

26. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~ Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the ~~Applicant~~ Applicants as part of the costs of these proceedings. The ~~Applicant is~~ Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant~~ Applicants on a ~~[TIME-INTERVAL]~~ bi-weekly basis and, in addition, the ~~Applicant is~~ Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the ~~Applicant~~ Applicants, retainers

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~~in the amount[s] of \$●[-, respectively,]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

27. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ and ~~the Applicant's~~ counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$●250,000 unless permitted by further Order of this Court, as security for their professional fees and disbursements incurred at ~~the~~their standard rates and charges ~~of the Monitor and such counsel~~, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~{38}~~35 and ~~{40}~~37 hereof.

#### DIP FINANCING

29. ~~32.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from ~~{DIP LENDER'S NAME}~~Woodbridge Foam Corporation (the "DIP Lender") in order to finance the ~~Applicant's~~Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$●2.3 million unless permitted by further Order of this Court.

30. ~~33.~~ **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~Revolving DIP Loan Agreement between the ~~Applicant~~Applicants and the DIP Lender dated as of ~~{DATE}~~ (the "Commitment Letter" ~~September 17, 2020~~ (the "DIP Loan Agreement")), filed.

31. ~~34.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the ~~Commitment Letter~~DIP Loan Agreement or as may

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be reasonably required by the DIP Lender pursuant to the terms thereof, and the ~~Applicant~~ is Applicants are hereby authorized and directed to pay and perform all of ~~its~~ their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter~~ DIP Loan Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

32. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs ~~38~~ 35 and ~~40~~ 37 hereof.

33. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ~~•~~ three (3) business days' notice to the ~~Applicant~~ Applicants and the Monitor, may exercise any and all of its rights and remedies against the ~~Applicant~~ Applicants or the Property under or pursuant to the ~~Commitment Letter~~ DIP Loan Agreement, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the ~~Applicant~~ Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the ~~Applicant~~ Applicants against the obligations of the ~~Applicant~~ Applicants to the DIP Lender under the ~~Commitment Letter~~ DIP Loan Agreement, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the ~~Applicant~~ Applicants and for the appointment of a trustee in bankruptcy of the ~~Applicant~~ Applicants; and

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- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the ~~Applicant~~Applicants or the Property.

34. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the ~~Applicant~~Applicants under the CCAA, or any proposal filed by the ~~Applicant~~Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

35. ~~38.~~ **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows<sup>9</sup>:

First – Administration Charge (to the maximum initial amount of \$●250,000);

Second – DIP Lender's Charge; and

Third – Directors' Charge (to the maximum initial amount of \$●300,000).

36. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge~~Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges ~~and~~, encumbrances, and claims of secured creditors, statutory or

<sup>9</sup>~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~



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otherwise (collectively, "Encumbrances") in favour of any Person, save and except for the following Encumbrances until further Order of this Court:

- (a) purchase-money security interests or the equivalent security interests under provincial or state legislation and financing leases (that, for greater certainty, shall not include trade payables);
- (b) statutory super-priority deemed trusts and liens for unpaid employee source deductions;
- (c) liens for unpaid municipal or state property taxes or utilities that are given first priority over other liens by statute; and
- (d) cash collateral deposited with a financial institution as security for letters of credit or bank guarantees issued by the financial institution at the request of an Applicant.

38. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~Charges, unless the ~~Applicant~~Applicants also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the ~~Directors' Administration~~Charge and the ~~Administration~~Directors' Charge, or further Order of this Court.

39. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") ~~and/or the DIP Lender thereunder~~) shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained

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in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the ApplicantApplicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment LetterDIP Loan Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the ApplicantApplicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ApplicantApplicants entering into the Commitment LetterDIP Loan Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the ApplicantApplicants pursuant to this Order, the Commitment LetterDIP Loan Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant'sApplicants' interest in such real property leases.

41. **THIS COURT ORDERS AND DECLARES** that this Order is subject to provisional execution and that if any of the provisions of this Order in connection with the DIP Loan Agreement, the Definitive Documents or the DIP Lender's Charge shall subsequently be stayed, modified, varied, amended, reversed or vacated in whole or in part (collectively, a "Variation") whether by subsequent order of this Court, on or pending an appeal from this Order, such Variation shall not in any way impair, limit or lessen the priority, protections, rights or remedies of the DIP Lender whether under this Order (as made prior to the Variation), under the DIP Loan Agreement and the Definitive Documents, with respect to any advances made prior to the DIP Lender being given notice of the Variation and the DIP Lender shall be entitled to rely on this

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Order as issued (including, without limitation, the DIP Lender's Charge) for all advances so made.

## SERVICE AND NOTICE

42. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the ~~Applicant~~Applicants of more than \$~~1000,1,000,~~ and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

43. ~~45.~~ **THIS COURT ORDERS** that the ~~E-Service Protocol of the~~Guide Concerning Commercial List E-Service (the "~~Protocol~~Guide") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the ~~Protocol~~Guide (which can be found on the Commercial List website at ~~http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/~~https://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph ~~2113~~ of the ~~Protocol~~Guide, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the ~~Protocol~~Guide with the following URL: ~~'@>'~~http://home.kpmg/ca/hematitegroup.

44. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail,

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courier, personal delivery ~~or~~, facsimile or other electronic transmission to the ~~Applicant's~~ Applicants' creditors or other interested parties and their advisers at their respective addresses as last shown on the records of the ~~Applicant~~ Applicants and that any such service or distribution by courier, personal delivery ~~or~~, facsimile or other electronic transmission shall be deemed to be received on ~~the next business day following the date~~ day of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

## GENERAL

45. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~ balance of the relief sought by the Applicants in the Notice of Application dated September 18, 2020 be and is hereby reserved to be heard by this Court on September 28, 2020, or such other date as determined by this Court.

46. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of ~~its~~ their powers and duties hereunder.

47. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~ Applicants, the Business or the Property.

48. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory body or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~ Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~ Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to ~~the~~ Monitor Hematite Holdings Inc. in any foreign proceeding, or to assist the ~~Applicant~~ Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

49. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~ Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in

carrying out the terms of this Order, and that ~~the Monitor~~ Hematite Holdings Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in ~~any other~~ jurisdiction outside Canada, including the United States pursuant to chapter 15 of title 11 of the United States Code.

~~51.— THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.~~

50. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF CANNTRUST HOLDINGS INC. ET AL.

Court File No: CV-20-00638930-00CL

**ONTARIO SUPERIOR COURT OF  
JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**INITIAL ORDER**

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Rendering set	MTStandard

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Format change	
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Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count

Insertions	344
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Moved to	0
Style change	0
Format changed	0
Total changes	674



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE  
OR ARRANGEMENT OF HEMATITE HOLDINGS INC. ET AL.

Court File No:

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**APPLICATION RECORD  
(CCAA APPLICATION)**

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